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SUMMARY  
OF  
THE PRINCIPAL MEASURES  
OF  
THE VICEROYALTY  
OF  
LORD ELGIN  
IN THE  
FINANCE AND COMMERCE DEPARTMENT.

JANUARY 1894 TO DECEMBER 1898.



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## NOTE.

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The Member of Council responsible for the administration of the Department of Finance and Commerce during LORD ELGIN'S Viceroyalty, was the Honourable SIR JAMES WESTLAND, K.C.S.I. The posts of Secretary, Deputy Secretary, Comptroller General, Commissioner of Salt, Northern India, and Director General of Post Office were during this period held by the following officers :—

*Secretary.*—Mr. J. F. Finlay, C.S.I.

„ Mr. Stephen Jacob, C.S.I. (*Offg.*).

„ Mr. H. H. Risley, C.I.E. (*Offg.*).

*Deputy Secretary.*—Mr. E. N. Baker.

„ Mr. R. A. Gamble (*Offg.*).

„ Mr. R. M. Dane, C.I.E.

„ Mr. W. S. Meyer.

*Comptroller General.*—Mr. Stephen Jacob, C.S.I.

„ Mr. A. F. Cox (*Offg.*).

„ Mr. O. T. Barrow (*Offg.*).

*Salt Commissioner, Northern India.*—Mr. A. B. Patterson, C.I.E.

„ Mr. R. M. Dane (*Offg.*).

*Director General, Post Office.*—Mr. A. U. Fanshawe, C.S.I.

„ Mr. H. M. Kisch (*Offg.*).



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# SUMMARY OF THE PRINCIPAL MEASURES

OF THE

## VICEROYALTY OF LORD ELGIN.

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### SECTION I.

#### GENERAL FINANCIAL ARRANGEMENTS AND RESULTS.

THE period of Lord Elgin's administration has been one of exceptional *Leading Features.* activity and anxiety in financial matters. The Currency Legislation of June 1893 gave rise to new and unexpected developments, and, apart from the measures required to carry this policy to a successful issue, new taxation had to be imposed to meet the heavy loss caused by fall in exchange, and special financial operations were required more than once to prevent a monetary crisis. The complete exhaustion of the Opium Reserve, owing to inadequate crops, and the heavy fall in dollar exchange, seriously endangered the Opium Revenue, and considerable loss of revenue and increase of expenditure had to be faced both to prevent a loss of hold on the China market and to build up a reserve against future failures of the opium crop. On the other hand, the favourable state of the money market in 1894-95 and 1895-96, and an accumulation of balances in the Indian Treasuries, enabled the conversion of the 4 per cent loans in India to be undertaken, and the interest on more than 93 crores of debt was reduced from 4 to  $3\frac{1}{2}$  per cent, while a corresponding reduction was made in all interest-bearing obligations of Government which are kept as banking accounts in Government Treasuries. Then followed the widespread famine of 1896 and 1897, which brought about a loss of more than 18 crores of rupees in remission or postponement of revenue and in actual issues of funds from the Treasury. Plague appeared for the first time in 1896-97 in some districts of the Bombay Presidency, and gradually spread to other parts of India, and measures for combating this scourge led to a further drain on the Exchequer. The Chitral Expedition of 1895-96 cost Rx. 1,680,000, and the disturbances on the North-Western Frontier in 1897-98, which culminated in the Tirah Expedition, more than Rx. 5,000,000. In the beginning of 1897-98 Bengal and Assam were visited by earthquake, which caused much damage to the buildings and railway works in the districts affected. The revision of the quinquennial Provincial settlements at a time when the resources of the Provincial Governments were nearly exhausted on account of famine brought to a head long-standing questions regarding the financial relations between the Imperial and Provincial Governments which are now under consideration. Lastly, in the midst of all the difficulties caused by the unforeseen calamities above referred to, an unusually large programme of Railway Capital Expenditure, which had been undertaken in the more prosperous years preceding, had to be carried out.

The financial problems of each year are dealt with in the succeeding paragraphs.

*Financial  
arrangements  
of 1894-95.*

2. The Budget Estimates for the year 1893-94, the last year of Lord Lansdowne's administration, showed a deficit of Rx. 1,595,100. After those estimates were passed the Mints were closed to the unrestricted coinage of silver, with effect from June 26, 1893, and the grant of Exchange Compensation Allowance was sanctioned with retrospective effect from 1st April 1893. Announcements were made by the Secretary of State on the 18th and 20th January 1894—first, that there was no intention to impose an import duty on silver in aid of the Currency Policy, and, second, that the attempt to maintain a forced value for the Secretary of State's Bills was abandoned. Heavy decline in exchange followed these statements, and the gold value of the rupee, which was quoted at 1s. 3d. on 18th January 1894, went down steadily till it reached 1s. 1½d. on the 26th February. When Lord Elgin took office on January 27, 1894, the Government found itself face to face with a deficit in the Revenue Account of no less than 3½ crores. To meet this deficit the re-imposition of the general 5 per cent import duties, excluding that on cotton, was sanctioned from March 10, 1894; the petroleum duty was doubled from the same date; and the temporary suspension of the Famine Insurance grant was announced. These measures were estimated to produce an increase in the net revenues of about 2¼ crores. Further, a special contribution of Rx. 405,000 was obtained from Provincial Revenues, and measures of stringent economy in expenditure were adopted, causing a reduction in Imperial Civil and Military Works expenditure of over Rx. 300,000. Thanks to these measures, the Budget Estimates of 1894-95 showed a deficit of only Rx. 301,900, with exchange at 14d.

*Financial  
arrangements of  
1895-96.*

3. During the course of the year 1894-95 exchange underwent a further decline, reaching its lowest level (12½d.) on 22nd January 1895, and in preparing the Budget Estimates of the year 1895-96 it was not possible to take a higher rate of exchange than 13·09d. the rupee. Compared with the 14d. rate adopted in 1894-95 this involved an additional burden of about 2½ crores. It was also necessary to provide for an increase in the price paid for crude opium in Bengal from Rs. 5 to Rs. 6 per seer, at a cost in normal years of about Rx. 400,000 a year. The Rx. 700,000 obtained in 1894-95 by economies in expenditure and by contribution from Provincial Revenues were no longer available, and the deficit of Rx. 301,900 in the Estimates of 1894-95 had to be made good. The Government therefore again found itself face to face with a deficit of close upon 4 crores, even after allowing for about 2¼ crores of net revenue provided by the imposition of the general import duties above referred to and the suspension of the Famine Insurance grant. To meet the growing expenditure for Exchange the Customs Tariff had already been extended, with effect from December 27, 1894, to cotton yarns and piece-goods, and a countervailing excise duty on certain classes of these goods manufactured in India was imposed at the same time. These new fiscal measures were expected to bring in about 1½ crores a year, while the general import duties proved more productive by about half a crore than was originally anticipated. Of the remaining 2 crores of deficit, half a crore was made good by the saving in interest charges owing to the conversion of debt, while the balance was met, so far as the financial arrangements for 1895-96 were concerned, by improvements in the Railway, Stamps, Excise and Land Revenue receipts.

*Progress in  
1895-96 and  
arrangement for  
1896-97.*

4. The financial equilibrium anticipated in the Financial Statement of 1895-96 was more than justified by results. Before the end of the year, exchange showed a decided upward tendency, and the Government were in a position to

set aside their determination of March 1894 suspending the Famine Insurance grant, and to refund to Provincial Governments the special contribution of Rx. 405,000 taken in 1894-95. The Famine Insurance grant was restored to one crore, and the Revised Estimates of 1895-96 still showed a substantial surplus of Rx. 951,400, even after meeting an unexpected expenditure of about Rx. 1,620,000 on account of the Chitral Expedition. This favourable position enabled the Government to lighten taxation to the extent of about Rx. 500,000 by reducing the Cotton Duties from 5 to  $3\frac{1}{2}$  per cent and making other re-adjustments in connection therewith.

The Budget Estimates of 1896-97 were prepared on the basis of an exchange of  $13\frac{3}{4}d.$  the rupee, and showed a surplus of Rx. 463,100. They provided for the Famine grant being continued at one crore and also for special expenditure of about half a crore on measures of preparation for mobilisation. Thus in the first two years of the administration not only had an equilibrium between Revenue and Expenditure been secured and the usual financial progress resumed, but the finances had attained a position in which further reduction of taxation might reasonably be contemplated.

5. This satisfactory state of things was, however, interrupted by unforeseen calamities in the two following years in the shape of famine, plague, earthquake and war. As already stated, the drain on account of famine amounted to over 18 crores on account of (a) loss or suspension of Revenue, (b) actual expenditure on the relief of distress, and (c) agricultural loans. The North-West Frontier war cost about 4 crores in the two years, and plague and earthquake between them about a crore. The deficit in the two years 1896-97 and 1897-98 amounted to about 7 crores; but large though this figure may appear, it was considerably less than one-third of the burden thrown on the Revenues of the year by the special calamities above mentioned. *Special calamities of 1896-97 and 1897-98.*

6. The year 1898-99 opened with hopeful prospects. Peace had been restored on the frontier, the harvests of 1897 had been bountiful, and there was every prospect of the suspensions of Land Revenue necessitated by famine being satisfactorily realised. Exchange, which stood at about  $13\frac{1}{2}d.$  at the commencement of 1894, has touched the gold point of  $16d.$ , and in the Government of India Despatch of March 3, 1898, No. 70, the Secretary of State has been urged to adopt measures for effecting the establishment of a stable exchange at  $16d.$  on the basis of a gold standard. The measures proposed for this end are now under the consideration of a Special Committee in London. Meanwhile the Budget Estimates of 1898-99 were prepared on the basis of  $15\frac{3}{4}d.$  the rupee, the Famine Insurance grant was restored to the full amount of  $1\frac{1}{2}$  crores, and the Estimates were framed to close with a surplus of Revenue over Expenditure of Rx. 891,400 after providing for Rx. 1,488,500 on account of War Expenditure. *Prospects of 1898-99.*

7. In the first three years of Lord Elgin's administration, from 1894-95 to 1896-97, there was an aggregate surplus of Rx. 522,086. The year 1897-98 is expected to close with a large deficit of Rx. 5,262,000 owing to the special and unforeseen burdens of famine, war and other temporary calamities. As already stated, the Budget Estimate of 1898-99 closes with a surplus of Rx. 891,400. Since the issue of the Financial Statement very considerable improvement has taken place in the Railway receipts, and the progress of Revenue collections has been generally satisfactory, except that there was a heavy loss in the Opium Revenue in the earlier part of the year, which however is being gradually recouped. The Six Months' Estimate framed at the beginning of December 1898 showed a surplus of Rx. 3,932,200. *General Results of the five years.*

*Comparison  
between Estimates  
and Results.*

8. The following table gives a comparison between the figures of the Budget Estimates and the actuals for each of the five years. It was not possible that the Budget Estimates of 1896-97 should anticipate the heavy loss of revenue and increase of expenditure caused by famine in that year, and in 1897-98 there was no provision made for the cost of the war on the North-West Frontier which subsequently broke out:—

		Revenue.	Expenditure.	Surplus.	Deficit.
		Rx.	Rx.	Rx.	Rx.
1894-95	Budget . . . . .	92,024,900	92,326,800	...	301,900
	Actuals . . . . .	95,187,429	94,494,319	693,110	...
1895-96	Budget . . . . .	96,924,300	96,878,100	46,200	...
	Actuals . . . . .	98,370,167	96,836,169	1,533,998	...
1896-97	Budget . . . . .	97,620,700	97,157,600	463,100	...
	Actuals . . . . .	94,129,741	95,834,763	...	1,705,022
1897-98	Budget . . . . .	95,676,800	98,140,800	...	2,464,000
	Approximate Actuals . . . . .	96,487,000	101,749,000	...	5,262,000
1898-99	Budget . . . . .	99,085,400	98,194,000	891,400	...
	Six Months' Estimate . . . . .	100,734,700	96,802,500	3,932,200	...

*Progress of  
Revenue.*

9. The standards of the important heads of Revenue at the beginning and end of Lord Elgin's administration are compared in the following table:—

	Actuals, 1893-94.	Budget Estimate, 1898-99.
	Rx.	Rx.
Land Revenue (including Land Revenue due to Irrigation) . . . . .	26,336,535	28,540,200*
Opium (net) . . . . .	4,750,964	2,673,600
Salt . . . . .	8,228,876	8,728,000
Stamps . . . . .	4,509,351	4,855,900
Excise . . . . .	5,388,573	5,717,300
Customs . . . . .	1,682,373	4,590,500
Assessed Taxes . . . . .	1,739,171	1,892,900
Railways (net receipts) . . . . .	11,427,690	11,859,400

\* Includes about Rx. 700,000 on account of arrears of past years.

10. The increase in the Land Revenue demands has been very satisfactory, owing partly to revision of settlements and partly to increase of cultivation. Opium is the only important head under which the Revenue has declined: this is due to a variety of causes—firstly, a succession of poor opium crops in Bengal, and the depletion of the opium reserve necessitated a reduction in the quantities of provision opium sold by Government; secondly, a fall in the dollar exchange reduced the rupee prices of opium and necessitated a reduction in the Malwa opium duty; thirdly, the competition of the China drug appears to have adversely affected the Indian trade. The expenditure in India at the same time was considerably increased to maintain the former standard of cultivation.

The Customs Revenue has been enhanced by the alterations in the tariff already mentioned.

11. Outside the special demands of war, famine, etc., there has been considerable increase on the Expenditure side, but this mainly represents productive outlay required to earn revenue in the Railway, Irrigation, Telegraph, Post Office, and Opium Departments. There has necessarily been a moderate increase on account of the usual progress of the administrative departments. On the other hand, there has been a most welcome decrease under "Exchange." The rate of exchange was taken in the Budget Estimates of 1894-95 at 14*d.* the rupee, while in the Estimates of the current year it is taken at 15 $\frac{2}{3}$ *d.*, and this improvement accounts for a decrease in Imperial Expenditure of about Rs. 2,400,000. A further improvement has already occurred, and the average rate of the Secretary of State's drawings up to 16th December has been 15·935*d.*

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## SECTION II.

## MONETARY STANDARD.

*Currency Legislation of June 1893 and its immediate consequences.*  
(Notifications Nos. 2662, 2663 and 2664, dated 26th June 1893.)

12. In June 1893 the Indian mints were closed to the free coinage of silver in view to the ultimate adoption of the gold standard. Executive orders (Notifications Nos. 2662, 2663 and 2664, dated 26th June 1893) were at the same time issued providing (1) for the receipt of gold coin and gold bullion at the mints in exchange for Government rupees at the rate of 7.53344 grains troy of fine gold for one rupee, being one-fifteenth of the weight contained in a sovereign; (2) for the receipt of sovereigns and half-sovereigns of current weight at treasuries in payment of Government dues at the rate of fifteen rupees for a sovereign and seven and a half rupees for a half-sovereign; and (3) for the issue, on the requisition of the Comptroller General, of currency notes in Calcutta and Bombay in exchange for gold coin or gold bullion at the rate of one rupee for 1s. 4d.

Immediately after the closure of the mints the rate of exchange rose to 1s. 4d., but it fell again as quickly, and was quoted for some time at about 1s. 3d. the rupee. Before the mints were closed the price of silver in London was 38d. per ounce. After the market had recovered from the immediate shock caused by the cessation of free coinage in India, the price of silver settled at about 34d. per ounce. The Sherman Act was repealed by the United States on the 1st November 1893, and the price of silver went down to 32d. in November 1893, and subsequently it reached a level of 27d. Silver continued to flow into the country in large quantities in spite of closed mints, and the Secretary of State, who had fixed a minimum price of 15½d. for Council Bills to assist the mint closure policy, was able to sell only an insignificant amount of bills from July to December 1893. The result was that large treasury balances accumulated in this country, which were subsequently utilised to assist the conversion of debt and in lieu of borrowing for railway capital expenditure, while the sterling debt in England was increased to meet the home charges.

*Decision not to impose an import duty on silver nor to hold out for a minimum rate for Council Bills.*

13. The question of imposing a heavy import duty on silver in aid of the currency policy was considered shortly after the closure of the mints, but the imposition of such a duty for the purpose of raising exchange was considered inadvisable. The practical difficulties were considered serious, and the measure was believed to be of doubtful efficacy. An announcement was therefore made on the 18th January 1894, that Government did not contemplate the imposition of any duty on the importation of silver into India for the purpose of assisting the policy adopted in regard to currency, though it was not of course precluded from doing so for revenue purposes. Silver is at present like other articles subject to an *ad valorem* tariff charge of 5 per cent on import.

This announcement was followed by another, made on the 20th January 1894 at the request of the Secretary of State, to the effect that His Lordship would no longer hold out for a minimum of 15½d. for Council Bills. These two announcements considerably depressed exchange, which went down to 13¾d. by the end of February 1894.

*Proposals to melt down rupees, to impose a high import duty on silver, and to fix a minimum for Council Bills further examined.*

14. In December 1893 the Government of India proposed, in order to check speculative imports of silver, to melt down rupees and to sell the bullion in the market; but this proposal was negatived by the Secretary of State.

In February 1894 the Calcutta and Bombay branches of the Indian Currency Association drew the attention of Government to the adverse effect of the large imports of silver on the Secretary of State's ability to sell India Council

Bills, and urged on Government the speedy adoption of measures to expedite the contraction of currency, either by the melting down of rupees or the imposition of a graduated scale of duty on silver, or by prohibiting the import of silver into India altogether. The letters were forwarded to the Secretary of State with Despatch No. 40, dated 28th February 1894, but in his Despatch No. 83 (Financial), dated 3rd May 1894, the Secretary of State adhered to his previous decisions on the subject. He held that such special measures for supporting the price of the rupee were inadvisable, and that it was not within the province of Government, if such a step could possibly be avoided, to diminish the currency already existing.

15. Exchange had steadily mounted during 1896, and during the last three months of that year it stood above 1s. 3d. This rise drew the attention of Government to the possibility of gold being imported into India in considerable quantities. In Despatch No. 49 (Financial), dated the 17th February 1897, the Government of India proposed to modify the Notifications of June 26, 1893, so as to definitely aim at the establishment of a rate of 16d. *Proposal to revise the Notifications of June 26, 1893, so as to remove certain restrictions in regard to the receipt of gold.* the rupee, putting out of view altogether any possibilities connected with a higher rate. The Notifications of June 26, 1893, had imposed two restrictions, under one of which gold coins were permitted to be received at the treasuries only in payment of sums due to Government, while under the other gold coin or bullion could be received at the mint only "until further orders." It was thought that by removing these limitations inducement would be given to import gold in one shape or other. The Secretary of State, however, thought it undesirable under the then existing circumstances to make any alterations in the Notifications of 1893 unless some real necessity arose, and conveyed this decision in his Despatch No. 96 (Financial), dated the 13th May 1897.

16. Towards the end of August 1897 exchange began to approach the rate of 16d., and the Government of India obtained by telegram the sanction of the Secretary of State to the issue of a Notification undertaking to exchange sovereigns and half-sovereigns of current weight at the rate of Rs 15 and Rs 7½ respectively, *Exchange of sovereigns and half-sovereigns at the Reserve Treasuries.* on condition that no Notification would be issued until an actual offer was made. On the 9th September 1897 the Credit Lyonnais tendered 3,500 sovereigns, and a Notification was issued on the 11th September announcing that sovereigns and half-sovereigns of current weight would be received at the Reserve Treasuries at Calcutta, Madras, and Bombay at the rate of Rs 15 and Rs 7½ respectively. The receipt of sovereigns and half-sovereigns at the Rangoon treasury at the above rates was also authorised. The above notification practically did away with the restriction that sovereigns would be received only in payment of Government dues.

17. In August 1897 the Secretary of State forwarded (Despatch No. 129 (Financial), dated 5th August 1897), for the consideration of the Government of India, certain proposals for currency reform made by the Governments of France and the United States. These Governments desired to open their mints to the free coinage of silver, as well as of gold, silver being made legal tender to an unlimited amount at a ratio of 15½ of silver to 1 of gold, provided that they were satisfied that they would receive such assistance from other Powers in increasing the demand for silver as would, in their opinion, justify them in such a policy. They proposed to summon an international conference to deal with the matter, if they were led to believe, by preliminary enquiry, which they were making, that such a conference would arrive at any satisfactory result. They asked whether, if their mints were opened as stated, the *Proposals of the Governments of France and the United States for currency reform.*

Government of India would also re-open the Indian mints to the free coinage of silver, and repeal the notifications allowing the receipt of sovereigns at 1s. 4d. the rupee. The Government of India, in Despatch to the Secretary of State, No. 261, dated 16th September 1897, discussed the subject in all its bearings, and requested the Secretary of State to decline to give the undertaking desired by France and the United States for the following reasons: (1) The great and sudden rise in the value of the rupee which such a measure would bring about would seriously affect the Indian export trade and would injure the agricultural population of the country, at the same time prejudicing the Government receipts from Land Revenue and Railways. (2) The proposed union would not, it was thought, be strong enough to keep up the value of silver to the standard proposed, and under the monetary conditions of the countries concerned the consequences of a failure would fall mainly on India. In that case the rupee might come down with a rush to 9d. or even lower, and the mints having once been re-opened, it would be very difficult to close them again. (3) The true interests of India demand that stability of exchange between gold and silver should be at a rate not greatly differing from 16d. the rupee. That rate was, after a period of great difficulty and anxiety, nearly in sight, and the Government of India were not prepared to throw away the advantages thus painfully gained and enter upon another period of struggle and change. (4) The best policy for India was to link its monetary system with that of Great Britain and to refrain from entering into monetary arrangements with other nations which the mother-country refused to join. Her Majesty's Government accepted the views of the Government of India (Despatch No. 218 (Financial), dated 23rd December 1897).

*Final proposals  
for the  
establishment of a  
gold standard in  
India.*

18. On this correspondence being published, the Bengal Chamber of Commerce, in December 1897, addressed the Government of India, stating that it could not share the opinion that the existing monetary policy was within measurable distance of producing fixity of exchange, and enquiring whether the Government was about to take further early measures for the establishment of a gold standard. A recommendation for further active steps in this direction was shortly after received from the Madras Chamber.

The rate of exchange having remained for some time above 1s. 3d. and having gradually approached 1s. 4d. before March 1898, the Government of India considered that the time had come when the policy of 1893 should be fully developed and the period of transition terminated. One of the principles upon which the legislation of 1893 was based, was that a contraction in the volume of the silver currency with reference to the demands of trade has the direct effect of raising its exchangeable value in relation to gold. The experience gained since the closure of the mints in June 1893 warranted the conclusion that if the circulation of rupees in India could be restored to the condition in which it was a few years before 1893, the value of the rupee could be raised to at least 16d. The scheme of 1893, as actually carried out, anticipated that by abstention from coinage for a certain period the necessary condition in the circulation would be reached; but owing to the operation of speculative and other adverse influences the progress towards the 16d. rate had been unduly prolonged.

The Government of India also considered it extremely unlikely that gold would be presented in such quantity as to lead automatically to an accumulation of gold sufficient for a reserve. It was therefore considered desirable to terminate the period of transition without further delay.

Accordingly in Despatch No. 70, dated the 3rd March 1898, the Government of India laid before the Secretary of State certain proposals for the

establishment of an effective gold standard in India. The measures therein recommended are :—

- (1) the melting down of rupees and the sale of the bullion in the market to the extent necessary to remove the redundancy in the rupee circulation in relation to a 16*d.* rate; and
- (2) the establishment of a gold reserve by borrowing in England.

It was suggested that the Secretary of State should take power from Parliament to borrow up to a maximum of £20,000,000 for currency purposes only. The actual borrowing should be by instalments, the first instalment, which it was hoped might suffice to effect the object in view, being £5,000,000, which should be sent out to India in gold.

The first use to which the gold is proposed to be put would be to supply the deficiency in the Government balances caused by the sale of melted rupees, the result of the operation being the contraction of the rupee circulation to some extent and the partial substitution of gold for rupee balances in the Government treasuries. It was expected that by the above operation, repeated at intervals if necessary, exchange could be maintained at 16*d.*, and when this stage was reached gold would automatically flow into the country and the sovereign would be the recognised standard coin of the Empire, at least in its chief cities, though the bulk of the currency would continue to be silver.

As questions of currency reform have always been the subject of much difference of opinion, and as the proposals of the Government of India involved grave issues, the Secretary of State decided (Despatch No. 67 (Financial), dated 7th April 1898) that a final decision upon the proposals should be arrived at after a patient and thorough investigation by the highest available authorities. The proposals have accordingly been referred to a Special Committee in London, presided over by the Right Honourable Sir Henry Fowler, and are now under the Committee's consideration. The Committee have been requested to consider and report upon the proposals and upon any other matter which they may regard as relevant thereto, including the monetary system now in force in India and the probable effect of any proposed changes upon the internal trade and taxation of the country, and to submit any modification of the proposals of the India Government, or any suggestion of their own which the Committee might think advisable for the establishment of a satisfactory system of currency in India, and for securing, as far as practicable, a stable exchange between India and the United Kingdom.

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## SECTION III.

## EXCHANGE COMPENSATION.

*Exchange  
Compensation  
Allowance.*

19. During the last year of Lord Lansdowne's administration "exchange compensation allowance" was sanctioned for European and Eurasian officers not domiciled in India. This allowance was intended to compensate the European and Eurasian officers of Government who were not permanently domiciled in India for the loss caused to them by the fall in exchange, and took the shape of an allowance sufficient to admit of the recipient remitting to Europe half his salary (subject to a maximum of £1,000 a year) at the rate of 1s. 6d. per rupee, *i.e.*, he received the difference between the cost of remittance to this extent at the prevailing rate of exchange and the cost at a 1s. 6d. rate. It was found, soon after the rules were published, that a mere legal domicile test was open to serious objections, and in October 1894 revision of the rules was proposed to the Secretary of State in Financial Despatch No. 286, dated 24th October 1894. Protracted correspondence, ending with the Secretary of State's Despatch No. 44 (Financial), dated the 25th February 1897, ensued. With that despatch the Secretary of State sent out a set of rules limiting the allowance to (1) Europeans appointed in England, and (2) officers who are not qualified for appointments ordinarily reserved for natives of India under 33 Vict., Cap. 3, Section 6, and who have been or may be appointed as Europeans in India to offices in which European qualifications are held to be indispensable, or to services and departments in which a proportion of Europeans is held by the Government of India to be indispensable, and for the purpose of maintaining that proportion. The revised rules were promulgated with the Financial Resolution of the Government of India, No. 2422-Ex., dated the 31st May 1897, in which Local Governments and Administrations and Heads of Departments were asked to make their recommendations as to appointments in which European qualifications are required, and services in which a proportion of Europeans is indispensable. On receipt of proposals submitted in accordance with this request from almost all quarters the Government of India issued the further orders contained in Financial Resolution No. 4847-Ex., dated 5th November 1898, as to what are the appointments by virtue of holding which an officer appointed in India, not being a statutory native, becomes entitled to exchange compensation allowance. This Resolution covers the whole ground in question with the exception of a few doubtful points which are to be referred to the Secretary of State.

20. In the course of the correspondence regarding the revision of the rules, the question was raised whether the grant of the allowance to officers whose salaries are fixed by Statute or Statutory Rules was legal, and this was after full consideration decided in the negative. The payment of the allowance was accordingly stopped in the case of all such officers, except the Chief Justices and Judges of High Courts, in whose case the technical impediment was removed by alteration of the Statutory Rules fixing their salaries. The Secretary of State recognised, however, that in equity the case of officers whose salary is fixed by Statute was in no way distinguishable from that of the rest of the European services, and in Despatch No. 69 (Financial), dated 7th April 1898, he sanctioned the restoration of the salaries of the Members of the Councils of the Governor General and the Governors of Madras and Bombay, which had been reduced in 1880, to their former Statutory limits of Rs80,000 and Rs64,000 a year, respectively.

## SECTION IV.

## MINT AND COINAGE.

21. The mints remained closed to the free coinage of silver during the whole of Lord Elgin's administration, and the only coinages undertaken on behalf of Government were of small silver and copper. *Measures connected with coinage and silver imports necessitated by the closure of the Mints.*

Even after the closure of the mints large quantities of silver continued to be poured into the country, and it was considered desirable to ascertain as far as possible the destination of the silver, and the uses to which it was put. The appreciation of the rupee above its metallic value seemed likely to lead to attempts at illicit coinage on a large scale, and to guard against this steps were taken to have cases of coining promptly brought to notice and carefully investigated.

The cases reported were very few, and no special increase appears to have hitherto occurred on account of the closure of the mints.

22. In August 1895 the Colonial Secretary, Singapore, reported to the Government of India the extensive circulation of spurious guilder pieces in Java, and stated that rumour pointed to China as the place where these counterfeit coins were manufactured. To prevent Indian rupees from being similarly forged and sent out to India, steps were taken by the Government of India for the keeping of a vigilant watch over importations of rupees from the Far East. Her Majesty's Minister at China was requested to instruct Consular Officers to exercise vigilance in respect of attempts to export illicit rupees, and to endeavour, through the local officials and the Imperial Maritime Customs, to prevent the export. His Excellency was also requested, should any such case be brought to light, to bring it to the notice of the Chinese Government, and press for the suppression of the coining press. A full report of the measures adopted was also made to the Secretary of State. *Measures for the prevention of illicit importation of spurious coin from abroad.*

23. In connection with the question as to how the larger imports of silver were utilised in the country, one important point raised was whether silver was being used in place of money. Enquiries were made on this point at the request of the Secretary of State, but they did not show that uncoined silver was being used by weight as a medium of exchange. As far as the Government of India were able to ascertain, the silver was used primarily for two purposes, namely, *Enquiries about destination and use of imported silver.*

- (1) replacing hoarded rupees, the cheapening of silver bullion having induced its purchase from rupee hoards; and
- (2) passing into the mints in Native States.

24. Arrangements were made to obtain returns showing the operations of Native States' mints, both before and after the closure of the Government mints to free coinage of silver. It became evident that a substantial portion of the imports of silver after June 1893 found their way into the Native States, some of which were tempted to undertake heavy coinage on account of the immediate profit. The result was a depreciation of the native coinages. *Absorption of silver for Native States coinage.*

It was considered desirable, in the interest of the States themselves, to prevent this depreciation if possible, and in a circular letter, dated the 21st October 1893, No. 3696—98-I., from the Foreign Department, the several Local Governments and Political Officers were informed that the Native States under their charge should, if occasion arose, be advised that the guiding principle in *Measures to prevent depreciation of Native States currency.*

those States which coin their own silver should be so to regulate their coinage that the rate of exchange between their own rupee and that of the Government of India should remain fairly steady at or near the ratio which prevailed when the Government mints were open to the free coinage of silver. Some of the States accepted the advice and sooner or later closed their mints to free coinage.

*Policy of  
unification of  
coinage in India.*

25. The unification of coinage in all India including Native States was an object which the Government of India had long set before themselves. In 1876 an Act was passed to enable Native States to have a coin of special design, but of the same fineness, weight and size as the Government rupee struck at the Government mints. Prior to the closure of the mints only two States, Alwar and Bikanir, had taken advantage of the Act. The prerogative of coinage is highly valued as an emblem of sovereignty, and the Government left the Native States to take the initiative in this matter, confining itself to giving advice or assistance when desired. The considerable divergence in value between the Government rupee and the Native States coins caused by the currency legislation of June 1893 and its attendant disadvantages to the Native States, were calculated to bring home to the States the advantages of unification, and the Government policy was fully explained in the Foreign Department letter No 3124-I., dated the 3rd September 1894.

*Adoption of British  
coin by minor  
States in Central  
India.*

26. Certain minor States in the Bhopawar Agency of Central India, which did not possess any local coinage of their own, were the first to take steps to substitute the British coinage for their heterogeneous currency, under the advice of the Political Agent. It was explained that although great caution would be advisable if the Government of India were initiating measures with the object of unification, there need be no objection to encouraging spontaneous action in States where the Chiefs were willing to effect the change, and where it could be introduced without creating discontent and opposition among the people.

At the same time the Government of India indicated the steps which should be taken to gradually replace the multitude of existing coins by a homogeneous rupee. The Bhopawar States adopted the measures suggested by Government, and under the guidance of the Political Agent were soon able to establish the British rupee as the sole legal tender coin.

The example of the Bhopawar States was soon followed by other States in Central India, Rutlam, Jaora and Sailana in the Western Malwa Agency, Parone, Bhadoura and Sirsi in the Goona Agency, as well as by certain Jagirdars.

*Currency reform  
in Bhopal.*

27. Of the more important Native States possessing mints, Bhopal was the first to recognise the necessity of a currency reform. It closed its mint on the 4th August 1893, and shortly after expressed a desire to apply the Native Coinage Act of 1876. But as coinage of rupees under the Native Coinage Act which are full legal tender in British India, would be contrary to the policy which led to the closure of the mints, the Government of India could not conform to the wishes of the Durbar. On a further consideration of the means of escaping the loss entailed on the State by a depreciated currency, Her Highness the Begum decided to introduce British rupees, provided the Government of India assisted her by exchanging her coin. The exchange value of the Bhopal rupees was already considerably above their metallic value, and in consideration of the general advantages of a uniform currency, the Government of India agreed to exchange them at their current market rate, and the terms settled were—

- (1) that the State mint should remain closed ;
- (2) that the British rupee should be made the sole legal tender in the State ; and



- (3) that the State coin should be withdrawn and made over to the British Government at the average market rate of exchange of 100 Government rupees for 124 Bhopal rupees.

The steps to be taken to effect the change were indicated in a letter from the Foreign Department, dated 31st August 1896, No. 2751 I.-A. The total amount of Bhopal coinage to be withdrawn was estimated at 130 lakhs, and as this sum could not be conveniently advanced from the treasury balances, a special Act (XI of 1897) was passed to enable the Government to advance the coin from the currency reserve pending re-coinage of the Bhopal coin. Operation for the conversion was begun on 1st October 1897, and practically completed by 1st February 1898, after which date British rupees became the sole legal tender in Bhopal. The amount of Bhopal rupees actually exchanged for Government rupees was 69,44,000 Bhopali rupees.

The smaller States of Rajgarh, Narsingarh, Maksudangarh, and Satalia in the Bhopal Agency also took advantage of the Bhopal conversion to substitute the British Indian rupee for the Bhopal coin hitherto used by them.

28. Kashmir was the next important State which adopted British rupees as the sole legal tender. It did not close its mint till September 1895, and its coin was consequently depreciated. *Currency reform in Kashmir*

As the State had to make large payments in British coin, it suffered considerable loss on account of the depreciation. The Durbar discerned that the remedy lay in the introduction of British coin, and submitted proposals for assistance from Government. The Government of India agreed to render assistance on terms similar to those in the Bhopal case. Operations for conversion were commenced from 1st November 1897 (papers in Finance Proceedings A November 1897, Nos. 1129-1141), and from 1st May 1898 the British Indian rupee became the sole legal tender in Kashmir.

29. The Gwalior State has also sought the help of Government with a view to reform its currency. The Mahārāja is buying up Gwalior and Chandori coin now in circulation in certain pergunas in the State by the issue of British rupees, and the result of this operation is awaited before any scheme of reform is finally adopted. *Proposed reform in Gwalior.*

30. Some of the Native States in Bombay also made a move towards currency reform by adopting the British Indian rupee. Certain States in the Rewa Kantha Agency were the first to introduce this change, and they were followed by Palanpur. Radhanpur and Navanagar also submitted proposals for currency reform; but in Foreign Department letter No 2901 I.-A., dated the 3rd August 1897, it was explained that the policy of the Government of India was that in the case of the more important States, such as Bhopal and Kashmir, which had exclusive currencies of their own, circulating within their own territories but not to any considerable extent elsewhere, the Durbars might be assisted in placing their coinage on a sound basis on conditions settled in the Bhopal and Kashmir cases. In minor States, too small to have an exclusive coinage of their own, the circumstances were quite different, and in these cases the Government of India declined to give any assistance. It was left to such States, if they wished, to stop coinage and dispose of their existing coin as bullion. *Reform in Native States in Bombay. Government policy in regard to minor States.*

31. In 1894 it was discovered that the manufacture of what are known as Furrakhabad rupees was carried on on a large scale in Bombay and Native States. This coin was full legal tender previous to 1835, but was called in in 1877. It was not, however, a "coin" within the definition given in the Indian *Amendment of the definition of coin in the Penal Code.*



Penal Code, as it was not now used as coin, and the law could not reach the manufacturers. But as under the Indian Coinage Act Government were bound to receive it in the treasuries at the rate of one rupee per tola, and it was not expedient to leave coinage of any kind in private hands, it was necessary to prevent its manufacture. By an amendment of Section 230 of the Indian Penal Code the definition of "coin" was revised so as to include metal which has ceased to be used as money but which, while so used, was "coin" within the definition.

*Suppression of the manufacture of coin of Foreign Governments and of past rulers of India.*

32. It was also discovered in 1894 that in Bombay large quantities of coin of Foreign Governments and of ancient rulers of India were manufactured and a brisk trade carried on in these coins. These were not used as coin, but as ornaments or charms by the poorer classes of natives. Some of them, however, came within the amended definition of coin, and their manufacture was therefore stopped. As regards the others no action was thought necessary, but the Local Government was instructed to watch the manufacture of the coins and to prevent the coiners from overstepping the limits of the law.

*Manufacture of British dollars at the Bombay Mint.*

33. In the beginning of 1894 enquiry was made by the Secretary of State on behalf of Her Majesty's Colonial Office whether the Government of India could undertake the coining of a British dollar, which was about to be issued for circulation in the Straits Settlements and the Far East, and, if so, at what rate. After some correspondence the Government of India agreed to undertake the manufacture of the new coin at the Bombay Mint at a charge of 1 per cent, provided a minimum coinage of five million dollars annually was guaranteed. The Chartered Bank of India, Australia and China, in conjunction with the Hong Kong and Shanghai Bank, gave the required guarantee, and after the settlement of some preliminary details and the framing of rules, silver was tendered by the Hong Kong Bank on the 14th May 1895. The most important of the preliminary details was an arrangement for the import of silver by the Banks and its re-export in the form of dollars without payment of the import duty of 5 per cent. To this end it was directed that the silver should go straight to the mint when imported, the mint being treated as a bonded warehouse for this purpose, and that the silver when coined should be shipped under customs supervision. The detailed rules settled between the Mint and Customs Departments were published with Notification No. 2457-A., dated the 25th May 1895. Since the tender of silver in May 1895, the coinage has been heavy and the Bombay Mint has been almost continuously employed on the work on the lines laid down in letters from the Financial Department, dated 8th February 1895, No. 709-A., and dated 8th March 1895, No. 1181-A.

*Coinage of legal tender rupees in the mint. Bikanir copper coin, coined under the Native Coinage Act, declared to be legal tender in British India.*

34. In addition to the re-coinages of Bhopal and Kashmir coins into Government rupees, 37,553 Alwar hali rupees and Bikanir coins of the value of R1,08,806 were re-coined into new coins for those States which had come under the Native Coinage Act, 1876, before the closure of the mints. The amount coined for the Bikanir State was, however, paid into a Government Treasury in repayment of debt due from the State, and did not pass into local circulation. Copper coins of the aggregate nominal value of R10,086-10 were coined for the Bikanir Durbar at the Calcutta Mint and declared legal tender in British India under the Native Coinage Act.

## SECTION V.

## PAPER CURRENCY.

35. The maximum limit of the invested reserve of the Paper Currency Department was raised during Lord Lansdowne's Viceroyalty from six to eight crores of rupees by Act XV of 1890. The net circulation of currency notes, *increase from eight to ten crores of rupees of the amount of the* the amount actually in the hands of the public, having increased from a total of *Paper Currency Reserve which may be invested in Government securities.* about 13 to 13½ crores in 1889-90 to over 22 crores in 1895-96, it was considered that the limit of the investment might be further raised to ten crores. The Presidency Banks and the Chambers of Commerce were consulted, and these bodies having expressed the unanimous opinion that the increase of the investment was not likely to diminish the security for the convertibility of the Currency Note, the proposal was laid before the Secretary of State in Despatch No. 131, dated the 2nd June 1896, and sanctioned by him on the 6th August. The question became urgent in view of the stringency in the money market during the cold weather months of 1896, and the Government considered it expedient to make the necessary amendment of the law early in December, and to transfer the money from the Currency to the Treasury by creating new debt. Accordingly a Bill was passed on the 17th of December 1896, as Act XXI of 1896, and the increase of the investment was announced in Notifications Nos. 5366 and 5367, dated the 18th December 1896.

36. The temporary suspension of the Secretary of State's drawings in 1897 again produced a severe stringency in the money market in the cold weather of 1897, and it seemed possible that the demand for Council Bills in the ensuing export season might exceed the resources of the Government Treasuries in India. *Power taken for temporary issue of currency notes in India on the security of gold bullion or coin presented in England to the Secretary of State and held by him in reserve against such notes.* It was considered desirable to prevent a panic in the market by affording a means of relief to the stringency, and the best means that suggested itself was to issue Currency Notes in India against gold bullion or coin presented in England at prescribed rates. With the assent of the Secretary of State a Bill was prepared with this object and passed as Act II of 1898. Section 13 of the Indian Paper Currency Act, 1882, authorised the Governor General in Council to direct that currency notes should be issued by the Paper Currency Department in exchange for gold coin and bullion received in India at the office of issue. The new Act extended this provision so as to allow the issue of currency notes in India against gold received in England by the Secretary of State.

37. Act II of 1898 was, as above explained, intended to meet a temporary emergency, and was declared to remain in force for a term of six months from the 21st January 1898. The demand for Council Bills after the Act was passed was unusually large, but never exceeded the resources of the Government Treasuries. In view, however, of the continued stringency of the money market and of the possibility of measures being undertaken in the near future which might affect the exchange relations of the rupee, it was considered desirable to continue the Act in force for a longer period, and accordingly by Act VIII of 1898, the operation of the original Act was extended for a further period of two years. *Extension of Act II of 1898 regarding the issue of currency notes in India against gold deposited in England.*

38. In April 1898 the Head Commissioner of Paper Currency brought to notice the insufficiency of the Indian law relating to the forgery of currency notes. He pointed out that currency notes were not protected by any special provisions, but merely by the general provisions of the Indian *Proposed amendment of the Indian Penal Code so as to provide more adequate protection*

*to currency notes  
against forgery  
and attempts at  
forgery, and the  
uttering and  
possession of forged  
notes.*

Penal Code applying to forgery of valuable securities. It was considered that the application of the general law did not afford adequate protection against forgery of Government currency notes, and that a distinction should be made between the law applicable to documents which pass from hand to hand as money and that applicable to other valuable securities affecting only a limited class of men with much ampler opportunity of detecting frauds therein. As the distinction is already recognised by the English law, the Government of India, in Despatch No. 256, dated the 18th August 1898, fully explained the defects in the Indian law and proposed that it should be amended. A Bill, drafted on the lines of the English Forgery Act, 1861 (24 and 25 Vict., Cap. 98), was forwarded with the Despatch for the approval of the Secretary of State and has since been introduced into the Legislative Council.

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## SECTION VI.

## FINANCIAL MEASURES CONNECTED WITH FAMINE, PLAGUE AND OTHER CALAMITIES.

39. Owing to the financial exigencies of the year 1894-95, the Government of India were obliged to temporarily suspend the Famine Insurance Grant, and this decision was announced in the Financial Statement of the year. But before the accounts of the year were closed, the position had improved sufficiently to admit of the grant being restored to one crore. The grant was also taken at one crore in 1895-96, while in the Financial Statement of 1896-97 the financial results of the Famine Insurance Policy during the 15 years from 1881-82 to 1895-96 were reviewed, and, in view of the improvement in the financial and protective preparations of Government for meeting any future famine, it was announced that the Famine Insurance Grant would, for the present, be limited to one crore instead of to the crore and a half originally contemplated. But in 1896-97 and 1897-98 India was visited by a famine of great magnitude, and it became necessary to restore the former grant of  $1\frac{1}{2}$  crores in preparing the estimates of 1898-99.

40. The advent of famine in 1896-97 and the impossibility of forecasting its magnitude seriously affected the financial arrangements of Government both in 1896-97 and 1897-98, and the drawings of the Secretary of State were twice interrupted, while the settled programme of Railway Expenditure in 1897-98 was also curtailed by about a crore. When the Financial Statement of 1896-97 issued, scarcity was apprehended only in a small portion of the North-Western Provinces and Oudh, owing to failure of crops in 1895-96, and to meet this a provision of Rx. 70,000 was expected to be sufficient. But the general failure of the monsoon in 1896-97 caused expenditure on famine, failure of revenue, and heavy famine advances in almost every Province except Lower Burma and Assam, and the gravity of the situation became apparent in September 1896. On the 29th October the Lieutenant-Governor, North-Western Provinces, reported that it might be necessary to suspend a crore of revenue due in November, December, and January, and the Budget Estimate of drawings for the year 1896-97 had to be ultimately reduced by £1,200,000. In preparing the Budget Estimates of 1897-98 a liberal estimate of famine expenditure and advances was made on the basis of the best available information, but the delay in the establishment of the monsoon largely increased the expenditure on famine relief. By the middle of June 1897 the deficit in Ways and Means of the year, owing chiefly to falling-off in Railway and other Revenue, was estimated at  $1\frac{1}{2}$  crores, and by the end of August the additional expenditure for war and famine was estimated at a like sum. Owing to these sudden demands the Secretary of State announced the suspension of sale of Bills for ten weeks on 1st September 1897. This period was afterwards extended by four weeks, owing to further requirements both for famine and war, and the Secretary of State was also obliged to remit one crore of rupees to India by means of Bank drafts in the beginning of September 1897. The Government of India also decided to reduce Public Works expenditure by one crore below the Budget Estimate up to 30th November.

*Effect of famine  
on the Revenue and  
Expenditure and  
on advances.*

41. It has been stated in another Section that the famine of 1896 and 1897 required for financing it more than 18 crores of rupees in remission or postponement of revenue and in actual issues of funds from the treasury. The details are as follows :—

	1896-97. Rx.	1897-98. Rx.
Expenditure on direct relief of distress .	2,079,500	5,391,800
Remissions and Losses of Land Revenue .	871,600	576,400
Loss of Salt and Excise Revenue . .	417,800	357,600
Loss under other Principal Heads of Revenue . . . . .	337,800	394,300
Loss of Railway Revenue . . . . .	1,504,100	1,477,400
Charges for compensation for dearness of provisions and other increases due to high prices . . . . .	689,400	925,100
Other charges arising in connection with famine . . . . .	76,700	123,400
Suspension of Land Revenue . . . . .	1,297,700	552,800
Advances to cultivators and agriculturists .	1,104,300	1,164,500
	<hr/> 8,378,900	<hr/> 10,963,300
<i>Deduct</i> —Increase of Irrigation Revenue due to drought . . . . .	424,900	556,700
	<hr/> 7,954,000	<hr/> 10,406,600
NET TOTAL .	<hr/> 7,954,000	<hr/> 10,406,600
	<hr/> 18,360,600	

*Effect of famine  
on Provincial  
and local accounts.*

42. The established policy in regard to the distribution of famine relief expenditure is that Local Funds should first be called upon to bear all the expenditure which they reasonably can bear, and that, when their resources are exhausted, the demands should fall on the balances of Provincial Governments. Where these balances are reduced below a safe working standard, the Imperial Government has to step in and bear the rest of the burden, which, in the case of a great famine, is necessarily by far the largest share.

The following summary shows the extent to which the ordinary balances of the Provincial Governments were reduced to meet famine expenditure and the supplementary aid required from Imperial Revenues.

*Central Provinces and North-Western Provinces and Oudh.*—The balances were completely exhausted by the end of 1896-97, and expenditure on relief of distress in these two Provinces, amounting to about Rx. 3,700,000, was met from Imperial Revenues. In addition to this, the deficit in the Provincial account caused by loss of revenue was made up by contribution from Imperial to the extent of about Rx. 125,000 in the Central Provinces and about Rx. 270,000 in the North-Western Provinces and Oudh.

*Burma.*—An expenditure in Upper Burma of Rx. 54,975 in 1896-97 was met from Imperial Revenues, and on the introduction of the Provincial arrangement for Upper Burma from 1897-98, the whole of the expenditure in that year (Rx. 62,600) was met from the Provincial Revenues without encroaching upon the ordinary standard of the Provincial balance.

*Bengal.*—The total expenditure in the two years amounted to about Rx. 1,130,000, of which Rx. 81,700 were to be met from Local Revenues. Of the remainder so much (about Rx. 480,000) was to be met from Provincial Revenues as would leave the Provincial balance on 31st March 1898 at Rx. 100,000. If the recoveries from Local Funds fell below the amount above named, the deficiency was to be made up by a reduction of the Provincial balance.

*Punjab.*—Of about Rx. 210,000 spent in the two years on famine relief, about Rx. 30,000 were chargeable to Imperial, and the remainder was charged to Provincial and Local Revenues, the balance of the Provincial Account being reduced to Rx. 50,000 on 31st March 1898, being half the prescribed minimum for ordinary years.

*Madras.*—The total famine relief expenditure amounted to about 1 crore, of which only Rx. 50,000 were to be met from Local Revenues. Of the remainder about Rx. 220,000 were charged to Provincial, leaving a balance in the Provincial Account of Rx. 100,000 on 31st March 1898. The balance is likely to be further reduced by expenditure on famine relief in 1898-99 for which provision was made in the Budget Estimates.

*Bombay.*—This Province was hard hit by famine and plague, and the Provincial balances were completely exhausted by the end of 1897-98. Of a total expenditure on famine relief of about Rx. 1,290,000 only Rx. 24,000 were charged to Provincial Revenues. Some share of the expenditure on plague and famine charged to Imperial Revenues is recoverable from Local Bodies, and it has been decided that recoveries made from Local Funds on account of famine charges borne by Imperial Revenues should be credited to Provincial Revenues. A contribution of over Rx. 120,000 was also made from Imperial to Provincial Revenues in 1897-98 to make up a deficit in the Provincial Account, and also to give the Province an opening balance of Rx. 50,000 on 1st April 1898.

43. According to rules for classification in the accounts of expenditure on famine relief laid down in 1877 and 1878, expenditure on public works undertaken for the purpose of giving employment to famine-stricken population was shown mainly under the head "Civil Works," and only infructuous expenditure (including the excess paid for labour on public works over the normal rates) was shown as directly incurred on the relief of distress. This practice was found to be at variance with the original intention of the scheme by which the Famine Insurance Grant was fixed at 1½ crores, and it also tended to obscure the actual facts. Accordingly in Resolution No. 5299-A., dated 16th December 1896, it was decided that expenditure on public works directly undertaken for the relief of famine and under conditions applicable to famine relief works should be wholly charged to the head "Famine Relief," except in the case of revenue-producing works for which capital accounts are kept. In their case only the excess expenditure, as compared with the value of the work done under ordinary circumstances, would be a famine relief charge. Opportunity was also taken to prescribe suitable minor heads for the accounting of famine relief expenditure, and to consolidate the orders regarding classification of such expenditure.

44. In August 1896 plague appeared in Bombay, and has since gradually spread to or threatened Bengal, the North-Western Provinces, the Punjab, Central Provinces and Madras. Though expenditure has been incurred in nearly all the Provinces of India for the prevention of the spread of this scourge, the financial

burden of these measures has not been heavy except in Bombay. Apart from loss of revenue due to interruption of business and heavy Police expenditure caused by the plague, the direct expenditure from General Revenues on sanitary precautions in Bombay recorded under the head "24—Medical" has been as follows:—

	Rx.
1896-97 . . . . .	11,400
1897-98 . . . . .	214,300
1898-99 (Estimate) . . . . .	330,000
	<hr/>
	555,700
	<hr/>

The Provincial resources in Bombay having been completely exhausted, about Rx. 400,000 have had to be met from Imperial Revenues.

*Local Emergency  
Loans Act.*

45. As the prevalence of plague and famine seriously affected the revenues of Local Bodies, and the Local Authorities Loans Act (XI of 1879) did not provide for borrowing for current expenditure, it was considered expedient to legalise the borrowing by Local Authorities for temporary emergencies such as the provision of relief in time of famine or scarcity and the prevention of the outbreak or spread of any dangerous epidemic disease. The necessary legislative sanction was obtained by the passing of Act XII of 1897. It has not yet been necessary to utilise the Act to any large extent in Provinces other than Bombay. In Bombay the following amounts were advanced from Government balances under the Act in connection with the plague:—

	Rx.
1896-97 . . . . .	5,100
1897-98 . . . . .	37,620
1898-99 (Estimate) . . . . .	100,000
	<hr/>
	142,720
	<hr/>

*Financial effect of  
measures for the  
repair of earth-  
quake damages.*

46. In June 1897 Assam and Eastern Bengal were visited by an earthquake which caused serious damage to railways and other public works. An additional expenditure for repairs to railways and other Imperial works in Assam and Bengal was thus necessary to the extent of over Rx. 200,000, and the expenditure in Bengal on civil buildings and roads was about Rx. 100,000. The estimate of the total expenditure in Assam which earthquake damages will render necessary under Provincial Civil Works exceeds Rx. 320,000, and this being beyond the power of that small Province to bear, the Government of India have made a special assignment of Rx. 160,000 in aid. It was also decided to reduce the Provincial balance on 31st March 1899 to half the prescribed minimum of Rx. 50,000.

## SECTION VII.

## RAILWAY FINANCE.

47. Since the year 1890-91 the total limit of the annual Capital Expenditure on Railways and Canals had been Rx. 3,500,000 not charged to Revenue, *Sanctioned limit of Capital Expenditure at the beginning of 1894-95.* plus the amount available from the Famine Insurance Grant, usually about Rx. 1,100,000. In June 1892 the Secretary of State authorised the Government of India to increase the annual expenditure not charged to Revenue by Rx. 500,000, in cases where they were satisfied that the money could without inconvenience be supplied, to enable Companies to undertake new lines of railway and extensions; but this authority was not actually exercised by the Government till 1894-95.

48. Financial necessities having required the temporary suspension of the Famine Grant, the amount provided for Capital Expenditure on Railways and Irrigation Works in the Budget Estimate of 1894-95 was restricted to Rx. 4,000,000, made up of the ordinary grant for Expenditure not chargeable to Revenues, and the special grant of Rx. 500,000 above referred to. *Budget programme of Capital Expenditure for 1894-95.*

49. In May 1894, however, the Secretary of State authorised the supply of funds for the prosecution of the Assam-Bengal Railway beyond the limit of Capital Expenditure laid down in the Budget Estimates of 1894-95. Subsequently, in reviewing the Financial Statement for 1894-95, the Secretary of State *New programme of Expenditure for the three years from 1894-95 to 1896-97.* invited the Government of India to consider whether some portion of the excess balances which had accumulated in the Indian Treasuries in consequence of the failure of the Secretary of State's drawings in 1893-94, could not be utilised for Railway construction. In response to this invitation the Government of India, in their Despatch No. 271 (Railway), dated 24th October 1894, submitted a new programme which provided for the expenditure from State funds during the three years 1894-95 to 1896-97 of a total sum of Rx. 14,000,000 on construction of Railways and Canals, in addition to any amount available in 1895-96 and 1896-97 from the Famine Insurance Grant, i.e., about Rx. 1,000,000 in each year.

50. In the 16-crore programme above mentioned, Rx. 700,000 were provided towards expenditure in 1894-95 on the construction of the Assam-Bengal Railway, but the Secretary of State was at the same time requested to make *Provision of funds for the Assam-Bengal Railway outside the settled programme.* arrangements in England for the provision of the whole of the funds required for that Railway and to allow the sum of Rx. 700,000 provided in India to be re-allotted among other lines. The Secretary of State agreed that the funds for the completion of the Assam-Bengal Railway system might, if financial exigencies demanded it, be properly provided outside the limits of Capital Expenditure previously fixed, and in the course of 1895-96 an additional grant of Rx. 1,124,100 was made for this purpose outside the 16-crore programme. It was also decided to find the additional capital in future either from surplus Government balances or by means of Companies' debentures.

51. The Capital Expenditure on the East Indian Railway had hitherto been met out of the ordinary allotment for State outlay on Railway Construction. *Supply of Funds to the East Indian Railway by means of Company's debentures.* But in distributing the total fixed allotment for State outlay it was found difficult to allot to the East Indian Railway the full amount that was considered requisite for the proper development of the undertaking. To meet this



difficulty application was made to Parliament, which, under an Act of 1895, empowered the Company, with the previous sanction of the Secretary of State, and on such conditions as might be approved by him, to raise the funds required for the improvement and extension of the Railway by the issue of debentures or debenture stock. The expenditure out of capital raised under this newly conferred power was in addition to what could be provided by Government out of the general grant.

*Question of the method of provision of funds for other lines in the hands of Companies.*

52. Besides the Assam-Bengal and the East Indian Railways there were other lines in the hands of Companies the extension or development of which was considered to be of great urgency, and the question of providing funds for them was also dealt with. The most important of the proposed extensions were those required by the Bengal-Nagpur Railway with the object of obtaining access to Howrah and the sea coast. It was proposed by the Bengal-Nagpur Railway that for the construction of such extensions the Company should be authorised to issue in India silver debentures under the guarantee of the Government of India as to principal and interest at the rate of 4 per cent. In considering this proposal the Government of India, in their Despatch No. 16 (Railway), dated the 13th March 1895, expressed the view that it would be cheaper and otherwise more advantageous for Government to raise funds required in India by direct borrowing than to resort to indirect borrowing through the agency of Companies.

*Decision as to future policy in regard to the borrowing of rupee capital in India for Railway development.*

53. The Secretary of State did not at first accept the view that all loans in India should be raised direct by the Government of India, and decided that the money for the new extensions should be raised by debentures which, at any rate to the extent of expenditure in India, should be issued in rupees. The whole subject of the mode of raising funds in India for the construction and development of railway lines in the hands of Companies was then fully discussed in Government of India Despatch No. 370, dated the 25th December 1895, in which it was proposed that, as long as the state of the Indian money market admitted of it, all money raised in India for the construction of State-assisted Railways should be raised by the Government of India direct, and expended by them on State lines or lent to Companies who had undertaken new lines or extensions of their existing systems.

The Secretary of State, in his Despatch No. 59 (Financial), dated the 2nd April 1896, accepted generally the views of the Government of India, and further sanctioned the borrowing in sterling by Companies, with a Government guarantee, of such sums as might be required to supplement the amounts raised by Government in India. It was also laid down that the condition that all rupee capital raised in India should be raised by Government instead of through the agency of Companies should not apply to Companies like the Southern Punjab and South Behar Railway Companies, which received assistance in the form of rebate or otherwise, or to Companies formed for the construction of short local railways or branch lines under the Branch line terms.

*Proposal for special loans for Indian investors.*

54. In considering possible arrangements for drawing more largely upon the monetary resources of India for the purpose of railway extensions, the Secretary of State, in his Financial Despatch No. 80, dated the 7th May 1896, asked the Government of India to consider a proposal to issue loans in India for the requirements of Railway Companies at a rate of interest somewhat higher than that of the ordinary Government loans, the notes being non-encashable in London. The object of this proposal was to widen the field for borrowing in

India by bringing in a class of new investors to whom Government loans issued on the ordinary terms do not appeal. Dealing with this question in their Despatch No. 275, dated 23rd September 1896, the Government of India, while fully recognising the undoubted political advantages of the debt of the country being more largely in the hands of its own people, came to the conclusion that it was doubtful whether the proposed measure would have the desired effect of confining the field to the local investor, and that on other grounds it was unadvisable for Government to issue loans of the kind proposed.

55. Before the settlement as above of these questions of policy the requirements of railways constructed through the agency of Companies, such as the Bengal-Nagpur and the Indian Midland Railways, had been supplied, partly by sterling borrowings on Government guarantee, and partly by the advance of funds by the Secretary of State in England, and the Government of India considered only the question of ways and means in connection with State outlay on construction of Railways and Canals. The decision that the Government of India should, in the first place, raise in India as much of the funds required by the Companies as possible, made it necessary to prepare in future combined programmes of expenditure on both State and State-assisted Railways, and the Secretary of State, in his Despatch No. 59 (Financial), dated the 2nd April 1896, authorised the preparation of such a programme of expenditure on railway construction amounting in the three years from 1896-97 to 1898-99 to 27 crores.

56. This limit did not include the expenditure of the three old Guaranteed Railways (Bombay Baroda, Great Indian Peninsula, and Madras), and in view of the works already sanctioned and commenced, the Government of India found difficulty in framing a programme for these lines limited to a total of 27 crores. A programme working to an estimate of 28 crores in the three years from 1896-97 to 1898-99, excluding the possible requirements of the old Guaranteed Railways for new extensions, was accordingly submitted for the sanction of the Secretary of State with the Government of India Despatch No. 327, dated 4th November 1896, the further expenditure on account of the old Guaranteed Companies during the three years being estimated at 1½ crores. This programme of expenditure, amounting in all to 29½ crores, was approved by the Secretary of State.

The total amount of 29½ crores was distributed as follows:—

	Chargeable as Government Expenditure.	Chargeable against accounts of old guaranteed companies.	Chargeable against ac- counts of other companies.	TOTAL.
	Rx.	Rx.	Rx.	Rx.
1896-97 . .	5,930,200	...	4,194,500	10,174,700
1897-98 . .	6,420,000	...	3,710,000	10,130,000
1898-99 . .	5,405,300	1,665,000	2,290,000	9,360,300
	<u>17,805,500</u>	<u>1,665,000</u>	<u>10,194,500</u>	<u>29,665,000</u>

The estimate of Government Expenditure in 1896-97 (Rx. 5,980,200) included in the new programme was the same as that entered in the Budget Estimate of the year, being made up of Rx. 3,650,000, included in the 16-crore programme (para. 49), and further additions subsequently made to that programme in view of the importance attached to progress in the construction of railways.

57. The grants for 1897-98 included in the 29½-crore programme had, however, to be restricted on account of war and famine, and, according to estimates prepared in November 1897, a sum of Rx. 11,870,000 remained to be spent in

*Combined  
programme of  
Railway  
Construction by  
Government and  
Companies.*

*The 29½-crore  
programme for  
the three years  
ending 1898-99.*

*Modifications in  
the 29½-crore  
programme.*

1898-99 to complete the programme ; but in view of the unexpected exhaustion of means which the war and famine expenditure had brought about, it was decided to reduce the original programme of 29½ crores by Rx. 1,750,000.

*New Programme  
of Railway  
Construction.*

58. The year 1898-99 being the last of the three years for which the programme of 29½ crores was prepared, it was considered necessary to prepare a new programme of railway construction for the three years from 1899-1900 to 1901-1902. The large cash balances in the Indian Treasuries, which justified a more extended railway construction since 1895-96, having been exhausted, it has been decided to take the new estimate of expenditure at a moderate figure, and a programme for the three years, working to 20 crores, was submitted to the Secretary of State with Despatch No. 351, dated the 10th November 1898.

*Revised terms  
for construction  
of branch lines  
by private  
enterprise.*

59. In their Resolution No. 514-R.C., dated 17th April 1896, the Government of India laid down the terms and conditions under which they are prepared to consider offers for the construction, by private enterprise, of lines forming branches or feeders either to existing State Railways worked by the State or to Railways worked by the Companies. The most important concessions offered by this Resolution are—

- (1) the land required for the construction of the Branch Railway is provided free of cost ; and
- (2) a fixed minimum rate of dividend on the Capital Expenditure is ensured either by a direct guarantee of interest by Government, or by a rebate on the main line earnings from traffic interchanged with the branch.

The last concession is not likely to throw any important burden on the Revenues at present, but it is estimated that the supply of land free of cost will involve an expenditure of over Rx. 200,000 during the current year alone.

*Powers of  
District Boards to  
guarantee interest  
on Railway  
Capital defined.*

60. Cases having come to the notice of the Government in which District Boards, acting under the provisions of Acts by which they are constituted, guaranteed the payment out of their revenues of interest on capital raised for the construction of railways or other public works within the districts, it was, after consultation with Local Governments and Administrations, laid down in Resolution No. 3210-A., dated the 22nd July 1898, that such guarantees should not be given without the special sanction of the Government of India and at a rate of interest approved by them, except in cases where a portion of the maximum cess which the Board is legally empowered to levy can be specially set aside for this purpose. Otherwise, as was pointed out, Imperial finances would become ultimately responsible.

*Proposal to  
empower English  
Companies to  
raise rupee  
Capital.*

61. In November 1893 the Secretary of State asked for the views of the Government of India on a proposal made by Messrs. Clarke, Rawlins & Co., that an Act of Parliament should be obtained empowering the Secretary of State to sanction the raising of capital in rupee currency by Companies formed for Indian purposes under the English Companies Act. The Government of India, in their letter No. 10, dated the 16th January 1895, expressed the opinion that when Companies formed in England for Indian undertakings have carried on their operations far enough to establish beyond doubt their position as *bona fide* Companies and not merely speculative undertakings, there would be advantages in permitting them to raise additional capital in rupees in India, and that there was no objection to a general Act authorising the raising of such capital with the sanction only of the Secretary of State. A Bill was prepared in accordance with these views and forwarded to India with Secretary of State's Despatch

No. 114, dated the 17th December 1896, but in view of the decision to borrow rupee capital for railway development directly by Government, it was decided to be unnecessary to proceed with the proposed legislation.

62. During Lord Elgin's administration the total number of miles open for railway traffic was, thanks to the measures described above, increased from 18,508 miles on 1st April 1894 to 21,245 miles on 1st April 1898, while the total mileage, inclusive of lines under construction, increased from 20,430 to 25,307. *Increase of railway mileage.*

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## SECTION VIII.

## PUBLIC DEBT.

*Conversion of 4 per cent loans into 3½ per cents.*

63. Prior to 1893-94 the general rate of interest on rupee loans in India was 4 per cent. In 1893-94 a reduction in that rate was prepared for by raising a rupee loan of 3½ crores at 3½ per. cent. At the beginning of 1894-95 the price of 3½ per cent Government Paper was well above par, and as the Government had in its treasuries 8 to 10 crores of spare cash \* balances, the opportunity was taken to convert or discharge its 4 per cent obligations.

The total amount of 4 per cent debt to be dealt with was Rx. 95,149,323, of which about 24½ crores were held in Europe. The first conversion notification issued on 30th June 1894, and announced the discharge of the 4 per cent loan of 1842-43, amounting to over 27 crores, with the option of accepting a reduction of interest to 3½ per cent guaranteed till August 1, 1904. The same terms of conversion to holders of other loans were offered at the same time, and it was hinted that if they did not take advantage of it, they might have to accept less favourable terms in future.

In the course of one month after the issue of the notification it was found that the conversion of the discharged loans had been almost universally accepted, and in a series of notifications, the last of which issued on 20th September 1894, the remainder of the 4 per cent debt of 95.15 crores was notified for discharge, with option of conversion to the guaranteed 3½ per cents, the terms of conversion or discharge being made somewhat less favourable at each stage. A final offer was also made by a notification dated 8th October 1894 to convert the then outstanding balance of all the 4 per cent loans already notified for discharge into the 3½ per cent loan of 1893-94, which was subject to discharge on three months' previous notice.

The net result of these measures was to convert Rx. 93,054,480 from a 4 to a 3½ per cent debt, and the Secretary of State, in his Despatch No. 12, dated the 24th January 1895, conveyed to the Government of India the warm appreciation by Her Majesty's Imperial Government of the manner in which the conversion operations had been carried through.

*Simplification of loan accounts.*

64. The opportunity offered by the conversion of the 4 per cent loans was taken to simplify the loan accounts of Government by abolishing four of these loans. These were : —

	Balance on 31st March 1894.
	Rx.
Loan of 1832-33 . . . . .	682,133
„ 1835-36 . . . . .	1,585,490
Mysore Family Loan . . . . .	50,003
East Indian Railway Commuted Stock . . . . .	5,450

There were altogether eight 4 per cent public loans outstanding before the conversion, and the terms of conversion in the four cases mentioned above included transfer into one or other of the remaining four loans. The result was that after the conversion, the number of guaranteed 3½ per cent loans was four only, all held under precisely the same conditions and differing only in respect of the half-yearly dates on which interest is payable.

\* Due to the Secretary of State having suspended drawings for some time after the mints were closed.

65. The large accumulation of balances in the Indian Treasuries in 1893-94 made it unnecessary to raise any rupee loans in India in the first two years of Lord Elgin's administration. In 1896-97 it was decided to raise a new rupee loan of 4 crores. Money throughout the earlier part of the year was extremely cheap, and the price of Government of India  $3\frac{1}{2}$  per cent guaranteed loans was over ₹110 per cent in May and June 1896. The Government of India considered this a fit opportunity to attempt a 3 per cent loan in India and accordingly a 3 per cent loan of 4 crores, guaranteed against repayment, or reduction of interest up to 31st December 1916, was issued on June 22, 1896. The attempt was eminently successful, and the loan was subscribed at the average price of ₹103 per cent. *New 3 per cent loan of 1896-97.*

66. In the conversion arrangements of 1894, Government offered to those holders of paper who accepted conversion, an equivalent amount of Promissory Notes on which  $3\frac{1}{2}$  per cent interest was guaranteed up to August 1, 1904. Those who did not accept this arrangement were afterwards offered, and most of them accepted, ordinary  $3\frac{1}{2}$  per cent Paper without any guarantee and liable to discharge at any time on three months' notice. The amount of this ordinary  $3\frac{1}{2}$  per cent loan at the beginning of 1896-97 was— *Conversion and discharge of unguaranteed  $3\frac{1}{2}$  per cent loans.*

	Rx.
(1) Outstanding of 1853-54 . . . . .	46,760
(2) „ „ 1893-94 . . . . .	3,500,000
(3) Accepted in conversions of 1894-95 and brought under the 1893-94 loan . . . . .	2,188,190
	<hr/> 5,684,950 <hr/>

The success of the 3 per cent loan of 1896 indicated the desirability of converting the  $3\frac{1}{2}$  per cent liabilities above referred to; and accordingly by Notification No. 3850, dated September 4, 1896, these loans were notified for discharge on January 30, 1897, and the option was given to holders of notes of the  $3\frac{1}{2}$  per cent loans to tender them for transfer to the 3 per cent loan of 1896-97 by October 2, 1896. The amount of the  $3\frac{1}{2}$  per cent loans transferred to 3 per cents in exercise of the option was Rx. 4,906,170.

67. By Act XXI of 1896 the investment of the Currency Reserve was increased by 2 crores of rupees, and as owing to the famine Government balances had been considerably reduced towards the end of the year 1896, the investment was made by creating new debt instead of by actual purchase of Government Paper in the market. Accordingly the sum of 2 crores of rupees was transferred to the Government treasury from the Currency Department which received in exchange 3 per cent Promissory Notes for Rx. 2,048,650, the calculation being made at the price of the stock at the time of transfer. *Additions to the 3 per cent loan by investment of Currency Reserve.*

68. In the Budget Estimates of 1897-98 a rupee loan of 4 crores was indicated, but when the time came for borrowing the conditions of the money market rendered it very doubtful whether so large a sum could be raised on favourable terms. After personal enquiry by the Honourable Financial Member in Calcutta it was decided to reduce the amount of the loan to 3 crores, which were raised at  $3\frac{1}{2}$  per cent at an average price 98 $\frac{1}{2}$ . In 1898-99 the Budget Estimates provided for a loan of 3 crores; but the prospects were again unfavourable owing to shrinkage in loanable capital, due partly to famine and plague, and partly to remittance by the Exchange Banks of their surplus balances to England. As a review of the Ways and Means in June 1898 showed that owing to a general improvement in Revenue prospects a *New Rupee loans of 1897-98 and 1898-99.*

loan of Rx. 1,200,000 might be sufficient, it was decided to borrow that amount only. This was raised, at  $3\frac{1}{2}$  per cent, at an average price of  $94\frac{3}{4}$  per cent.

*Discharge of  
Rupee loans.*

69. The amounts of rupee loans discharged in India from 1894-95 to 1898-99 are as follows:—

	Rx.
1894-95 . . . . .	1,172,338
1895-96 . . . . .	584,812
1896-97 . . . . .	722,525
1897-98 . . . . .	429,500
1898-99 (Estimate) . . . . .	325,000
	<hr/>
	3,234,175
	<hr/>

These amounts mainly represent the unconverted portion of the 4 per cent and  $3\frac{1}{2}$  per cent loans notified for discharge in 1894-95 and 1896-97. They also include, with effect from 1895-96, Rx. 120,000 a year in repayment of the 4 per cent Gwalior loan of  $3\frac{1}{2}$  crores received in 1887.

*Sterling loans.*

70. The borrowings in England by the Secretary of State during Lord Elgin's administration were largely connected with the failure or stoppage of Council Bills. It was attempted to support the closure of the mints in June 1893, by holding out for a minimum of  $15\frac{1}{4}d.$  for Council Bills, and this being unattainable, the sale of Bills was practically in suspense from July 1893 to January 1894 inclusive, and to make up the deficiency in his balances, the Secretary of State was obliged before the end of the year 1893-94 to raise £1,386,000 by  $3\frac{1}{4}$  per cent debentures and £6,000,000 on the security of India Bills having a currency of six months only. In 1894-95 the temporary loan of £6,000,000 outstanding on April 1, 1894, was funded by the issue of 3 per cent stock of that amount, and £2,000,000 were raised by temporary loans for current disbursements. No additional debt was created in 1895-96, but the temporary loan of two millions raised in 1894-95 was renewed in May 1895 for twelve months.

In 1896-97 a loan of £2,400,000 was raised for the purpose of discharging certain debentures; and of the two millions temporary loan falling due in May 1896, one million was discharged out of cash balances, and the remaining million was renewed for another year.

The famine of 1896 and 1897 and the Tirah Expedition caused interruption and suspension of Council drawings in 1896-97 and 1897-98, and this combined with a very large Railway programme necessitated the creation of a net debt in England of £8,500,000 in 1897-98 made up as follows:—

	£
India Stock . . . . .	3,500,000
India Bills having a currency of twelve months . . . . .	5,000,000
	<hr/>
	8,500,000
	<hr/>

In 1898-99 India Stock to the extent of £6,000,000 was also issued, more than half of which was required for the discharge of debentures and debenture stock bearing high rates of interest, and the six millions temporary loans carried forward from 1897-98 and previous years were renewed, thus leaving the balance of temporary loans on 31st March 1899 at the same amount as at the beginning of 1894-95. The result of the operations during the five years

from 1894-95 to 1898-99 has therefore been the creation of India Stock for £17,900,000, made up as follows :—

	Amount. £	Rate of interest.
1894-95 . . . . .	6,000,000	3 per cent.
1896-97 . . . . .	2,400,000	2½ „
1897-98 . . . . .	3,500,000	2½ „
1898-99 . . . . .	6,000,000	2½ „

Part of this money was, as above mentioned, required for discharge of debentures and debenture stock bearing higher rates of interest and aggregating £5,698,400. The Secretary of State also took advantage of the favourable state of the money market in 1896-97 to make a general reduction in his rate of interest from 3 to 2½ per cent.

71. The total amounts of permanent debt at the beginning and end of the five years from 1894-95 to 1898-99, and the interest payable annually thereon, *General abstract of debt and results.* are compared as follows :—

#### STERLING DEBT.

	Capital of debt. £	Annual interest. £
1st April 1894 . . . . .	108,113,792	3,610,847
31st March 1899 (Estimate) . . . . .	119,889,980	3,885,397
Increase in 5 years . . . . .	<u>11,776,188</u>	<u>274,550</u>

#### RUPEE DEBT.

	Capital of debt. Rx.	Annual interest. Rx.
1st April 1894 . . . . .	105,546,078	4,209,206
31st March 1899 (Estimate) . . . . .	112,560,553	3,906,800
Increase (+), Decrease (—) in 5 years . . . . .	<u>+7,014,475</u>	<u>—302,406 *</u>

Of the addition to the sterling debt, £4,591,432 will have been spent in the five years on the purchase of Railway and Irrigation Capital Stores in England, leaving £7,184,756 available for other purposes. Taking Exchange at 15d. the rupee the last sum is equivalent to about 11½ crores of rupees, which, with the seven crores raised in India, makes the total capital raised for Indian purposes about 18½ crores.

The amount of State outlay in India in the five years on construction of Railways and Canals will be about Rx. 16,238,000, apart from advances to Railway Companies for Capital Expenditure of about four crores. Part of the amounts raised by Government is lent to Local Bodies and cultivators for public and agricultural improvements; the net amount of such loans made by Government in the five years will be Rx. 1,777,117. Thus the total amount spent by Government in India on account of Productive Works and loans in the five years will have been about 22 crores, being 3½ crores in excess of the amount raised by loan.

\* Net result of about Rx. 550,000 saved by the conversion and discharge operation of 1894-95 and 1896-97, and about Rx. 250,000 payable on new loans.



*New rules for  
accounting  
outstanding  
balances of  
discharged loans  
and for  
examination of  
claims to payment  
of such balances  
and of outstanding  
interest on loans.*

72. In April 1898 the Comptroller and Auditor General proposed certain changes in the mode of treatment in the accounts of outstanding balances of old loans notified for discharge for more than 20 years and in the procedure for dealing with claims for payment of such balances and for the payment of interest on Government Promissory Notes left undrawn for 10 years. In making these proposals the Comptroller General desired to follow the rules in force in England on the above subject as far as possible, without diminishing in any way the liability of Government to accept claims whenever made. These proposals were accepted with certain modifications, and instructions issued to the Comptroller General in letter No. 4487-A., dated 13th October 1898.

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## SECTION IX.

## PROVINCIAL FINANCE.

73. The quinquennial Provincial settlements with the Local Governments and Administrations framed in 1892 terminated on the 31st March 1897, and it was decided to frame new contracts on the same general lines as the preceding ones. As a preliminary to the detailed consideration of the terms of the settlement with each Local Government, the Government of India issued a Resolution, No. 4258-A., dated the 6th October 1896, recapitulating the principles laid down from time to time with reference to the settlement of the assignments on which the Provincial contracts are based.

74. The figures proposed by the Government of India in accordance with the general principles of the settlement, as the standard figures for the new contract under each head of Revenue and Expenditure, were communicated to the Local Governments and Administrations concerned in October 1896. The standards of net Provincial Expenditure on Civil Administration, apart from special items, as fixed by the Government of India, were as follows as compared with the corresponding standards of 1892:—

	Standard of 1892.	Standard of 1897.	(In thousands of rupees.) Increase per cent.
Central Provinces . . . . .	65,33	70,59	8.05
Lower Burma . . . . .	1,03,05	1,17,55	14.1
Assam . . . . .	46,76	54,10	15.7
Bengal . . . . .	2,76,25	2,95,33	6.9
North-Western Provinces and Oudh . . . . .	2,08,54	2,31,62	11.1
Punjab . . . . .	1,38,46	1,50,87	9.0
Madras . . . . .	2,03,16	2,18,34	7.5
Bombay . . . . .	2,38,95	2,50,28	4.8

The examination of the intermediate increases of Revenue showed the comparison between the standards of net total Civil Revenues (not the Provincial shares only) for the two periods as follows:—

	Standard of 1892.	Standard of 1897.	Increase per cent.
Central Provinces . . . . .	1,24,86	1,36,26	9.1
Lower Burma . . . . .	2,16,29	2,46,34	13.9
Assam . . . . .	81,40	1,02,81	25.7
Bengal . . . . .	7,09,20	7,77,53	9.6
North-Western Provinces and Oudh . . . . .	7,67,78	7,85,27	2.3
Punjab . . . . .	3,06,01	3,33,65	9.0
Madras . . . . .	6,81,71	7,83,95	14.9
Bombay . . . . .	5,41,21	6,00,65	10.0

75. While the figures for the new settlements were being considered by the Local Governments, the advent of a widespread famine seriously interrupted the financial progress of the country, and the settlement of the normal standard of Revenue and Expenditure was attended with considerable difficulty in the case of the Central Provinces, the North-Western Provinces and Oudh, Madras, and Bombay. It was therefore decided, as regards these Provinces, that the final settlement of the heads of Revenue and Expenditure most affected by famine should be postponed till the cold weather months of 1897-98, the figures for heads not much affected by famine being finally settled

in usual course by the end of 1896-97. The general terms of the contract were, however, all settled in the cold weather months of 1896-97, except as regards the distribution between Imperial and Provincial of the Major Irrigation receipts of the North-Western Provinces and Oudh, and these terms as well as the rules and conditions regulating the administration of Provincial Revenue and Expenditure were, for the sake of convenience, stated in a Resolution No. 3531-A., dated the 11th August 1897.

*Summary of  
results of the  
Provincial  
settlements.*

76. The heads left for settlement in 1897-98 were considered in due course, and liberal allowances were made for the adverse effect of the famine and of the plague in Bombay. The results of the enquiries and discussions connected with the new Provincial settlements and the effect on the Provincial accounts as compared with that of a continuation of the assignments of 1892 may be stated as follows :—

*Central Provinces.*—Three successive bad seasons commencing with the year 1894-95 had adversely affected the Revenues of the Province, and the result of the examination by the Government of India was to show a deficit in the Revenue Account of Rx. 24,100 according to the old contract. The Government of India offered to make up this deficit by adding to the assignment of Revenue. It was also thought desirable in this backward Province to allot to Provincial a larger share of the development of Land Revenue, and it was therefore proposed to assign not one-quarter, but one-half, of the Land Revenue.

A few modifications in the figures proposed by the Government of India were made at the instance of the Chief Commissioner, and owing to the famine some important reductions were made in the estimates for some of the principal heads of Revenue. The final result was an increase on the assignment under the former contract by Rx. 38,600.

*Burma.*—The standards of Revenue and Expenditure for Lower Burma, as originally fixed by the Government of India, showed, on the basis of the arrangement of 1892, a surplus of Rx. 24,800. The Government of India proposed to resume this surplus and also to omit the Railways hitherto treated as Provincial from the new arrangement. At the same time the Revenue and Expenditure for Upper Burma were provincialised for the first time under the same terms as those of Lower Burma. The Provincial Revenues of Lower Burma had gained over Rx. 140,000 by the development of net Railway receipts during the five years ending 1896-97; and to compensate them for the loss of incremental revenue from this source, as well as to provide for a larger share of the general Revenue heads to meet the expenditure on account of Upper Burma, it was decided to assign to Provincial one-half instead of one-quarter of the total Land Revenue of the Province. The result of the consideration of the Local Government's criticisms was to modify the figures to some extent in favour of Provincial both for Upper and Lower Burma, and the share of the Land Revenue receipts assigned to Provincial was ultimately raised to two-thirds and that of Excise Revenue and Expenditure from one-quarter to one-half. According to the estimates adopted for the final settlement, the Government of India resumed a surplus of Rx. 9,000 by the new settlement with Lower Burma. A supplementary portion of the settlement with Burma was that the estimate adopted for the Upper Burma Special Police would be liable to revision on April 1st, 1900.

In view of the inclusion of Upper Burma in the new arrangement, the fixed minimum Provincial balance for the whole Province was raised to Rx. 120,000 instead of Rx. 60,000 for Lower Burma.

The Salt Revenue Administration in Burma has not been altogether satisfactory, and to give the Local Government some financial interest in its results, it was decided, with effect from 1898-99, to assign half the net Revenue from Salt to Provincial, the necessary alteration being made in the fixed adjusting share of Land Revenue.

*Assam.*—There had been considerable increase in the Land Revenue of this small Province by the revision of settlements in the Assam Valley Districts in 1893-94, and the standards of Revenue and Expenditure on the basis of the arrangement of 1892 showed a surplus of Revenue of Rx. 33,500. The Government of India proposed to resume Rx. 20,000 out of this surplus. It was also proposed to alter the distribution of Land Revenue so as to substitute for a rather complicated arrangement the simple division of two-thirds to Provincial and one-third to Imperial. After consideration of the Chief Commissioner's views of the estimates, it was decided not to resume any surplus from this small Province, and on the basis of the figures finally settled, an estimated surplus of Rx. 11,400 was left to the Local Administration.

*Bengal.*—The following changes in the general terms of the contract were proposed by the Government of India and accepted by the Government of Bengal :—

- (1) Half the net receipts of the Eastern Bengal Railway system had been Provincial under the contract of 1892, and the Provincial Revenues had gained no less than Rx. 380,000 by the development of the railway receipts during the five years ending 1896-97 ; but as the Provincial Government had no share in the administration of the undertaking, the Railway grant was omitted from the new contract.
- (2) To compensate Provincial Revenues for the loss of incremental Revenue from the Railways, the Provincial share of the net Excise Revenue was raised from one-quarter to one-half.
- (3) The Survey and Settlement expenditure was wholly Imperial in Bengal under the contract of 1892, but this arrangement was continued only for the Behar Survey and Settlement expenditure, and all other such charges were declared wholly Provincial under the new settlement.
- (4) Expenditure on account of pensions of the Imperial Marine Department (mainly Dockyard employés), and on account of the pensions of Branch Pilots and other Provincial Marine officers, and of their widows and orphans, was hitherto charged to Imperial Revenues ; these charges were made Provincial in the new arrangement.

The preliminary examination by the Government of India of the standards of Revenue and Expenditure gave the Province a surplus of Revenues of Rx. 139,700, and the Government of India proposed to resume this surplus. The Government of Bengal in reply put forward large and numerous proposals for new expenditure, and proposed an addition to the standard of Expenditure of about Rx. 340,000 ; and as against the proposal of the Government of India to resume a surplus of Rx. 139,700 the Government of Bengal desired to have the then existing assignment increased by Rx. 236,500. These figures were examined so as to distinguish between the claims for entirely new expenditure and the estimates of the existing rate of expenditure, and the changes made in favour of Bengal as compared with the original proposals of the Government

of India amounted to Rx. 42,000, the actual surplus finally resumed being Rx. 96,900.

As certain questions connected with the administration of Salt Revenue in Bengal and Orissa were under consideration at the time the settlement of 1897 was made, it was also decided to leave Salt figures outside the new arrangement.

The following supplementary arrangements were made in connection with the settlement with Bengal :—

- (1) That a special assignment to Provincial of Rx. 62,300 would be made in 1897-98 for heavy Settlement expenditure; and
- (2) That if the recoveries on account of Survey and Settlement expenditure in Behar fell short of the expenditure recoverable from the zemindars and ryots the difference would be charged to Provincial Revenues.

*North-Western Provinces and Oudh.*—A very small increase of Civil Revenue was realised in these Provinces during the last quinquennium, while the increase in the standard of Provincial Expenditure was considerable. On a review of the financial position the Government of India came to the conclusion that the expansion of expenditure was in part necessitated by the too economical policy pursued in the previous 10 or 15 years. It was proposed to increase the assignment of the Province by about Rx. 90,000, including a sum of Rx. 50,000, which, though allotted for the 1892 contract to meet the cost of re-organisation of the Police, was owing to liabilities of the Local Government under the 1887 contract, adjusted by a contribution through the Land Revenue head in the accounts of 1891-92. After personal negotiations with the Lieutenant-Governor, and full allowance for the effect of the famine on the Revenues, a final arrangement was concluded, which after allowing for the Rx. 50,000 not included in the figures of 1892, proved to be more favourable to the Provincial Revenues, as compared with the 1892 arrangement, to the extent of Rx. 68,200.

The shares of Revenue and Expenditure provincialised in 1892 practically remained the same in the new arrangement, except that the Major Irrigation Revenue and Working Expenses, which were wholly Provincial under the old contract, were declared to be half Imperial and half Provincial under the new arrangement. This decision was taken on the ground that the Irrigation Revenue had been shown by recent experience to be far too variable to be suited for complete provincialisation.

The Government of India also agreed to make a special assignment to meet the cost of a Government House at Naini Tal.

*Punjab.*—The increase of expenditure had proportionately exceeded the growth of revenue, chiefly on account of the grant of exchange compensation allowance, and the Government of India therefore proposed to increase the assignment of 1892 by Rx. 22,500, and also to raise the Provincial share of Land Revenue from one-quarter to three-eighths. On consideration of the criticisms of the Punjab Government the Provincial share of Land Revenue was fixed at two-fifths of the total, and the assignment for expenditure was increased by Rx. 45,600.

*Madras.*—The Revenue in this Province had progressed very satisfactorily during the past quinquennium, and the examination of the normal standards of Revenue and Expenditure in 1896-97 showed the Province in a surplus of Rx. 226,400 on the basis of the arrangement of 1892. The Madras Government, however, in view to additional expenditure which it considered desirable, asked

for an assignment of revenue which was over Rx. 200,000 more than that offered by the Government of India. On an examination of the Madras estimates on the principles applied to the Bengal case, and also on a consideration of the effect of the famine on the revenues of the province, it was finally decided to settle the assignment at a figure which resulted in the resumption by Imperial of Rx. 128,200.

Two small changes were made at the same time in regard to the general terms of the contract: (1) Orissa Salt Revenue and Expenditure were transferred from Madras to Bengal and were made wholly Imperial; and (2) the charges for "Salt Purchase and Freight" were made wholly Imperial instead of being treated as before as one-fourth Provincial.

*Bombay.*—In stating the terms of the new arrangement for Bombay the Government of India proposed (1) that Imperial Marine Pensions should be provincialised as in Bengal, and (2) that all irrigation works in Bombay and Guzarat should also be provincialised; but the Government of Bombay did not accept these proposals. The standards of Revenue and Expenditure proposed by the Government of India on the basis of the arrangement of 1892 worked out to a surplus of Rx. 112,400. But the Government of Bombay made large demands for new expenditure, and the net result of the figures of Revenue and Expenditure proposed by them would have required Rx. 122,000 more than if the former contract had been continued. The Government of India disallowed these large demands for increase in the Estimates of Expenditure and postponed the consideration of the figures for the Revenue heads—Land Revenue, Stamps, Excise and Forests (net), giving the Government of Bombay in the meantime, under all the other heads, Rx. 47,300 more than was originally proposed. It was at the same time pointed out to the Local Government that the effect of its proposals would be to revise the contract of 1892 in a direction more favourable to Provincial, which in the case of a Province like Bombay would be inadmissible under the established principles of the Provincial Contract System. The several heads of Revenue which were left over for subsequent consideration were duly examined in the cold weather months of 1897-98; but as the Province had not yet recovered from famine, and plague had also been continuously present, the settlement of the normal standards of Revenue for these important heads of Revenue was attended with some difficulty. The Government of India therefore decided that the most favourable arrangement for Bombay would be to continue without change the contract of 1892. This decision was communicated to the Government of Bombay in letter No. 711-A., dated 10th February 1898.

The Government of Bombay is not, however, satisfied with this decision, and its representation for additional assignments for new expenditure under "Education," "Civil Works" and "District Administration" was submitted to the Secretary of State with Despatch No. 302, dated 29th September 1898.

77. In discussing the terms of the new Provincial settlements for 1897, the Governments of Bengal, Madras, and Bombay had generally ignored or protested against the hitherto accepted principles for settlement of the contracts, and had examined their probable expenditure not from the point of view of the existing standard, but with the object of providing for new outlay on desirable objects. Some of the questions of principle thus raised were too far reaching to be discussed as part of the process of the periodical settlement of Provincial Finance, and were therefore left over for consideration at a later stage.

*Proposed extension of the Provincial contract system.*

The Government of India and the Secretary of State had long recognised that the weakness of the present system of provincial finance lay in the fact that the Provincial Governments, subjected to continual demands for increase of expenditure, were not equally subject to the restraint imposed by their having to find the means of meeting it, the usual solution being a request for the assignment to them of a larger share of general Revenues.

With the object of putting matters on a more satisfactory basis, the Government of India drew up a scheme for making the three most important Local Governments (Bengal, Madras and Bombay) responsible for providing for large increases of local expenditure by local taxation, and submitted their proposals for the consideration of the Secretary of State in Despatch No. 68, dated the 3rd March 1898.

The leading features of the Government proposals were :—

- (1) that the expenditure on Civil Administration that has to be provided out of general Revenues should be divided into two classes—the “general” expenditure on administration, and “local” expenditure, including in the latter category such items as roads and communications, most of the Educational and Medical expenditure, grants for Municipal purposes, etc., etc. ;
- (2) that for the expenditure classed as “local” a specified share of the revenue assigned in the Contract of 1897 should be finally and definitely fixed, and that in future contract revisions no further regard would be paid to any expenditure of the class defined as “local,” the quinquennial adaptation of revenue to necessary expenditure being confined to the “general” portion of the account ;
- (3) that to avoid the dangers of too large resort to supplementary local taxation, the proposed assignment for “local” expenditure should be made in the form of an assignment of a fixed share of certain incremental revenues (Land Revenue and Excise), subject to a fixed adjustment against or in favour of each Province, to bring the initial allotment to the standard of local expenditure allowed in the present contracts ; and that the Local Governments should be left at liberty, either to regulate their local expenditure so as to keep it within the limit of the increase in the assigned revenues, or to provide for greater increases by development of local sources of taxation.

It was also explained that a local account settled on the basis proposed would give the Local Governments an independent financial existence in a sense not possible under existing arrangements, and that it would also help to enforce a real responsibility in regard to Provincial Public Works undertaken by the Local Governments.

*Secretary of State's  
review of  
Government  
proposals regarding  
the general question  
of Provincial  
Contracts.*

78. In his Despatch No. 125, dated the 28th July 1898, the Secretary of State communicated some general remarks on the proposals of the Government of India, and agreed with the Government of India that the proposals should be placed before the Local Governments concerned.

At the same time His Lordship expressed a doubt of the policy of imposing too absolute a check on the further growth of expenditure classed as Local, and apprehended that difficult questions as to fresh local taxation would inevitably

arise unless the limits of permissible local taxation were very clearly defined. The subject is still under consideration.

79. In connection with the settlement of the Provincial Contract of the North-Western Provinces and Oudh in 1896-97, the question of reorganising the finances of District Boards in those provinces was taken up. The Local Boards Act of 1883 contemplated the formation in each district of the North-Western Provinces of a separate district fund; but in actual practice all the district funds in the Province were dealt with in the accounts as one Provincial Fund, the net deficit of the accounts being made up by a lump contribution from Provincial Revenues. The Boards had thus no incentive to economy, and their only object was to obtain as much additional grant from Government as possible. The position, in fact, resembled that in which Local Governments had stood to the Government of India prior to the Provincial Contract arrangements initiated by Lord Mayo. With a view to give each Local Board a separate financial position the Government of the North-Western Provinces and Oudh, in July 1896, submitted a scheme under which each Local Fund was to be started with an equilibrium of Revenue and Expenditure, or a small surplus. The scheme was sanctioned by the Government of India, with certain modifications, in letter No. 3888-A., dated 10th September 1896, and a special grant of Rx. 40,000 was made to Provincial Revenues to enable the Local Government to start the scheme.

80. In 1892 a quinquennial arrangement was made with the Agent to the Governor General, Baluchistan, for the administration of certain services on the provincial system. These were (1) the expenditure on all the police and levies in the Baluchistan Agency; (2) the administration of the Bori, Khetran and Zhob Valleys; (3) expenditure on the Zhob Levy Corps; and (4) revenue and expenditure of the Quetta District under certain heads. The arrangement made in 1892 expired on 31st March 1897, and in considering the terms of a new arrangement it was decided to extend the system to the revenue and expenditure of the whole of the Baluchistan Agency with certain minor exceptions. The settlement was made for a period of five years, and its terms were stated in Foreign Department letter to the Agent to the Governor General, No. 1286 E.-A., dated 12th August 1897.



## SECTION X.

## LOANS TO LOCAL BODIES.

*Summary of results.*

81. Loans made by Government are divided for administrative purposes into two classes—(1) loans by the Imperial Government to Native States, Presidency Corporations, etc., and (2) loans by Provincial Governments under the Local Loan Scheme. No important transactions occurred under the first class of loans during Lord Elgin's administration, except that in 1895-96 a loan of Rx. 35,000 at  $4\frac{1}{2}$  per cent was made to the Maharaja of Cooch Behar, who was in financial difficulties. The net amounts advanced to Local Governments under the Local Loan Scheme in each of the five years from 1894-95 to 1898-99 were as follows:—

	Rx.
1894-95 . . . . .	271,221
1895-96 . . . . .	164,097
1896-97 . . . . .	829,486
1897-98 . . . . .	553,504
1898-99 (Estimate) . . . . .	29,100
	<u>1,847,408</u>

The gross amounts advanced by the Local Governments in the five years were as follows:—

	Rx.
1. Loans for land improvement and agricultural purposes . . . . .	3,266,922
2. Loans under special Acts and loans to land-holders, etc. . . . .	127,236
3. Loans to Municipalities, District Boards, etc. . . . .	1,197,979
	<u>4,592,137</u>

The issues under the first head were unusually large on account of the famine. The exigencies of plague similarly compelled many municipalities to take loans under the Local Authorities Emergency Loans Act of 1897, but the total amount of loans under the third head did not exceed the average, as ordinary lending was restricted to provide the funds required for plague loans.

*Special procedure for loans payable to Municipalities in instalments.*

82. Under the rules for the working of the Local Loans Scheme prescribed in 1889, annual estimates are furnished by the Local Governments and Administrations of their requirements. These estimates frequently include the first instalment of large loans to important municipalities, such loans being generally taken in instalments spread over a number of years. The sanction to the estimate of one year thus practically binds the Government of India to making allotments in future years. It was considered desirable that such cases should be specially dealt with, and accordingly it was laid down in a Resolution No. 1459-A., dated the 20th March 1894, that before sanctioning such loans the Local Governments should furnish the Government of India with an estimate of the amounts required in the first and each succeeding year, and ascertain from it whether any difficulty was to be anticipated in providing the necessary allotments from year to year.

*Proposal for reduction of interest on local loans, considered.*

83. The successful conversion of the 4 per cent loans into  $3\frac{1}{2}$  per cents in 1894-95 gave the Government substantial relief in the matter of interest charges, and the question was raised whether the benefit of this relief should not be passed

on to municipalities and other debtors of the Government. It was, however, considered that it would be premature to take up this question before the  $3\frac{1}{2}$  per cent rate had been finally established as the market-rate. As a result of representations made in 1895 on behalf of the Port Trusts, Calcutta and Bombay, the Government of India thought it advisable to explain their views on the subject, and a Resolution No. 5274-A., dated 5th November 1895, was issued calling attention to the misconceptions which prevailed in regard to the terms on which the Government were able to borrow and lend. It was pointed out that the  $3\frac{1}{2}$  per cent rate was not fully established; that loans at that rate had been raised only at a discount; that the expenses of management represented an appreciable addition to the interest charges; and finally that it was a necessary condition of the grant of loans to local bodies that the Government should protect itself from the risk and depreciation of credit incurred thereby, by charging something above the actual cost to themselves of raising the money in the open market.

84. A 3 per cent Government loan was, however, successfully floated in 1896-97, and the bulk of the rupee debt of Government at that time stood at  $3\frac{1}{2}$  per cent. The revision of the quinquennial Provincial Settlements, with effect from the 1st April 1897, was therefore considered by the Government of India a fit opportunity for making a change in the rate of interest charged to Provincial Revenues on sums placed at their disposal under the Local Loans Scheme, and it was announced in Resolution No. 852-A., dated the 20th February 1897, that this rate of interest would be reduced from 4 to  $3\frac{1}{2}$  per cent with effect from 1st April 1897. The rate previously charged by Local Governments on their loans to local bodies had ordinarily been  $4\frac{1}{2}$  per cent. The Government of India, while leaving Local Governments discretion to charge a higher rate when necessary, directed that in future no new loan should be granted without their sanction at a lower rate than 4 per cent, and also pointed out that the terms of existing loans were not open to revision in respect of interest as a result of the change directed in the Resolution.

85. Under the Local Loans Scheme, as sanctioned in 1889, Local Governments could make loans from the Local Loans Account to Municipalities "only for works of public and general convenience and utility, such as drainage, water-works, bridges and the like, and not for works which are merely or mainly ornamental or convenient, such as a town hall, public garden or market-place." The above restriction was originally imposed because the money at the disposal of Government for lending purposes was limited. An examination, however, of the burden thrown upon Government in past years by the Local Loans Scheme showed that it was not unduly heavy, and in response to representations from several Local Governments the Government of India decided to withdraw the restriction, and in 1896 authorised the grant of loans for the further purposes referred to, subject only to the special condition of repayment within a period not exceeding 10 years.

86. Under the orders of 1889 local loans were made repayable within as short a period as possible, not exceeding 30 years in any case, and 20 years except under very special circumstances and with special sanction. Instances having been brought to notice in which loans repayable in 30 years had been made by Local Governments without obtaining the sanction of the Government of India, it was definitely ruled in 1896 that no loan repayable in a longer period than 20 years should be granted, except with such sanction, which would only be granted under very special circumstances.

## SECTION XI.

## CUSTOMS.

*Re-imposition of general import duties, cotton and certain other articles being exempt from such duties.*

87. As stated in paragraph 2 of Section I, the embarrassed condition of the finances in March 1894 compelled the Government of India to re-impose by Act VIII of 1894 the general import duties abolished in 1882. Imports generally were subjected to duty at the rate of 5 per cent; but the duty on most classes of iron and steel was fixed at 1 per cent, and a few articles were exempt from duty, the most important being food-grains, machinery, railway material, coal, and cotton yarn and manufactured goods. The duty on petroleum, which had been fixed at half an anna per gallon by Act II of 1888, was doubled.

On the introduction of the Tariff Bill there was much opposition to the exemption of cotton manufactures from import duties, and the Secretary of State, under whose orders this exemption had been made, agreed to receive a further representation on the subject, if after a sufficient interval the financial position was found not to improve.

*Measures for the levy of import duty on cotton on an equitable basis.*

88. In a Despatch of 31st May 1894, No. 65 (Revenue), the Secretary of State advised the Government of India that if they should be forced again to take up the question of imposing duties on cotton imported into India, they should consider measures by which such duties might be deprived of a protective character, and that either of the following courses might be adopted to attain this end, namely, (1) exemption from duty of those classes of imported cotton goods which clearly and directly compete with Indian manufactures, or (2) levy on the latter of an excise duty equivalent to the import duty on corresponding goods from abroad.

*Cotton yarn and goods made dutiable at the general rate of Import duty (5 per cent), and Excise duty levied at the same rate on all cotton yarns above count 20 produced in British Indian mills.*

In December 1894 the state of the finances showed that it was necessary to procure an addition to the revenue of not less than a crore of rupees, and that this addition could best be secured by the imposition of import duties on cotton goods. Accordingly, keeping in view the Secretary of State's instructions mentioned above, and further telegraphic instructions received from him in December 1894, two Acts were passed on the 27th December 1894 – one, the Tariff Act Amendment Act, XVI of 1894, by which cotton yarn and cotton manufactures were made dutiable at the general rate of import duty (5 per cent), and the other, the Cotton Duties Act, XVII of 1894, providing that an excise duty at the same rate should be levied on all cotton yarns above count 20 produced in mills in British India.

*Import duty on dyed cotton twist and yarn of low counts, temporarily reduced to half per cent.*

89. In January 1895 the Secretary of State forwarded a representation from certain firms of Scotch dyers, that their consignments to Burma of dyed yarns of low counts were placed at an unfair disadvantage in competition with Bombay dyed yarns of the same kind imported into that Province, inasmuch as the former were subjected to import duty under the Indian Tariff Act, 1894, while the latter were exempt from duty under the Cotton Duties Act, 1894. On enquiry it was found to be a case in which relief was needed. Accordingly it was decided that the inequality should be reduced by the levy of an excise duty on Indian manufactures imported into Burma, and that pending legislation on the subject, the import duty on dyed and coloured twist and yarn of number 20 and under should be reduced from 5 per cent to  $\frac{1}{2}$  per cent by a Notification under Section 23 of the Sea Customs Act, VIII of 1878.

*Further changes in cotton duties.*

90. Subsequently the Government of India took into consideration a representation made to the Secretary of State by gentlemen interested in cotton

manufactures in the United Kingdom in which they urged objections to the cotton duties levied in India. These were alleged to have had a protective effect, in that Lancashire exported to India a certain quantity of yarns of counts not exceeding No. 20, and fabrics woven from such yarns, which paid import duty, whereas the same yarns spun, and fabrics woven from them, in India were exempt from excise. It was also pointed out that in the case of woven goods made from excisable counts of yarn the Indian manufacturers paid only on the grey yarn values of the goods, whereas imported articles were charged on the value of the goods as completed. To meet these objections two Acts were passed on the 3rd February 1896 amending the Cotton Duties Act and the Tariff Acts of 1894, respectively. By the former (Act II of 1896) a duty at the rate of  $3\frac{1}{2}$  per cent was imposed on woven goods of all counts manufactured in the Indian mills, while yarns of Indian manufacture were entirely exempted from duty; and by the latter (Act III of 1896) similar exemption from duty was allowed on yarns of all kinds imported to India, and the import duty on piece-goods and other cotton manufactures was reduced from 5 to  $3\frac{1}{2}$  per cent.

91. Section 22 of the Cotton Duties Act, XVII of 1894, empowers the Governor General in Council to prohibit by Notification the payment of drawback on the exportation of yarn or cotton fabrics to any specified foreign port. In January 1895 the Government of India invited the attention of the Local Maritime Governments to that section; informed them that it was the desire of the Governor General in Council that the power therein reserved should be used to prevent drawback being allowed in respect of exports to foreign ports in India in cases in which the goods after importation at such ports might, without hindrance, find their way back into British India; and requested them to furnish lists of all foreign ports on the coasts of each province, indicating those to which that condition applied. On receipt of replies from the Local Governments addressed, a Notification was issued on the 5th July 1895, under section 22 of the Cotton Duties Act, XVII of 1894, prohibiting the payment of drawback on the exportation of yarn or cotton fabrics to the ports in the States of Travancore and Cochin, the ports of His Highness the Gaekwar of Baroda, the ports of the Thakur of Bhavnagar, the ports of the Nawab of Cambay, the ports of the Nawab of Habsan, the Portuguese Indian port of Diu, and certain ports in Kutch and Kathiawar.

Two further Notifications were issued on the 15th November 1895; one, under the Sea Customs Act, VIII of 1878, directing that the ports of Goa and Daman should be added to the list published in the Notification of May 1879 of foreign ports in India in respect of which the payment of drawback upon the re-exportation of goods, the transshipment of goods liable to customs duties on importation, and the shipment for exportation of warehoused goods were prohibited; and another, under the Cotton Duties Act, XVII of 1894, prohibiting the payment of drawback upon the exportation of yarn or cotton fabrics to the foreign ports of Goa and Daman.

92. In August 1894 the Government of India directed the adoption at all Indian ports of the practice of the Customs authorities at Bombay in respect of two points connected with the administration of the Indian Merchandise Marks Act, IV of 1889. The practice in respect of these two points was:—

- (1) that goods bearing the names of British or British Indian firms were detained unless the origin of the goods was indicated on the same label as that on which the name appeared, and

*Prohibitory orders regarding certain ports issued under the Sea Customs and Cotton Duties Acts.*

*Revised Instructions for the guidance of Customs Officers in the administration of the Indian Merchandise Marks Act, 1889.*

- (2) that the indication of the country of origin, as well as of the names of the shippers, was required to be placed on the capsules and corks of bottles of wine and other liquors as well as on the labels.

In 1896 it was decided to define the orders more clearly, and revised instructions for the guidance of Customs officers were accordingly issued with Resolution No. 2914-S.R., dated the 6th July 1896.

*Revised Customs  
arrangement for  
goods transmitted  
in bond through  
British India to  
Kashmir and  
Jammu.*

93. Under Article 9 of the Treaty with His Highness the Maharaja of Jammu and Kashmir, dated the 2nd May 1870, the Government of India agreed to levy no duty on goods transmitted in bond through British India to Eastern Turkistan, or to the territories of His Highness, and it was arranged in respect to goods transmitted in bond through British India to Kashmir and Jammu territory that a certificate should be given at the British Customs-house, permitting refund of a specified amount of duty on arrival of the sealed package at Jammu, Srinagar or Leh. In December 1896, and again in April 1897, it was brought to the notice of the Government of India that under this arrangement considerable loss was being caused to the Government of India through the re-import into British India, without payment of duty, of silver which had been imported duty-free through British India into Jammu, the silver having been declared on import into British India to be for transit to Turkistan, although Jammu is not a trade route to that country. The Government of India were about to address the Kashmir Durbar on the subject when the State Council proposed to impose a duty of 2 per cent on imports of bar silver. The Government of India suggested as an alternative that the Durbar should agree to the Government of India levying, on behalf of the Durbar, upon goods transmitted to Jammu and Kashmir in bulk and without being opened, the duties from time to time leviable in British India under the Indian Tariff Act; the sums so collected to be accounted for and paid over to the Durbar, and not to the importer. It was thus proposed to restrict the return to British India of goods from Jammu which would defraud the Government of India revenue, while payments made thereunder to the Durbar at Srinagar would not interfere with the Turkistan trade, as the Durbar would continue to refund customs duties to the importer at Leh upon goods arriving there without breaking bulk. The Durbar finally accepted this proposal, and steps have since been taken to carry it out [*vide* Despatch to Secretary of State, No. 37 (Financial), dated 24th February 1898].

## SECTION XII.

## OPIUM.

94. The principal events of importance during Lord Elgin's Viceroyalty in connection with the administration of the Opium Department have reference to the reforms introduced in accordance with the recommendations made by the Royal Commission on Opium presided over by Lord Brassey. This Commission was appointed by Her Majesty's Government in September 1893 to enquire into the matters referred to below; and their Report was forwarded to the Government of India by the Secretary of State in May 1895. The general conclusions arrived at by the Commission on the several questions referred to them for enquiry were the following:—

Report of the  
Royal Opium  
Commission.  
General conclusions  
arrived at by the  
Commission and  
views of the  
Government of  
India thereon.

- I. That the prohibition of the growth of the poppy and the manufacture and sale of opium in British India, except for medical purposes, had not been shown to be necessary or desirable, or to be demanded by the people of the country.
- II. That the existing arrangements with the opium-producing Native States of India, whereby such States are allowed, on payment of an Imperial pass duty, the privilege of transit of opium produced in their territories for export from Bombay, could not with justice be terminated except by voluntary agreement, which, if obtained at all, would involve large pecuniary compensation both to the States and to private individuals, and a heavy loss of public revenue to the Government of India.
- III. That the finances of India are not in a condition to bear, nor would the people of India be willing to pay, the charges for compensation, the cost of the necessary preventive measures, and the loss of revenue which would result from the adoption of a policy of prohibition.
- IV. (a) That the State monopoly system obtaining in Bengal is the best for regulating the production of opium in British India.  
(b) That the regulations for the consumption of opium might be amended in various particulars.  
(c) That recent arrangements for restricting consumption in Burma (described in paragraph 106 below) should be tested by actual practice.
- V. That there is no evidence of extensive moral or physical degradation among the people of India from the use of opium; that the drug is used for non-medical and quasi-medical purposes, in some cases with benefit and for the most part without injurious consequences; and that the non-medical uses are so interwoven with the medical that it would not be practicable to draw a distinction between them in the distribution and sale of the drug. Opium smoking, the Commission added, was little practised in India, and was considered a disreputable habit.

The Government of India and the Secretary of State concurred in the above views, from which only one out of the eight members of the Commission dissented,—*vide* Despatches to and from the Secretary of State, dated 19th

October 1895, No. 305 (Financial), and 12th December 1895, No. 139 (Revenue).

Recommendations made by the Commission and action taken thereon.

95. In respect of two matters the Commission made definite recommendations, *viz.*, the administration of the Bengal Opium Department and the question of opium smoking. With regard to the former, the Commission was of opinion that the full development in the Benares Opium Agency of the system of dealing direct with the poppy cultivators, the extension of the same system to the Behar Agency, and the better payment of the inferior native officials known as the *kothi* (opium office) establishments, were desirable reforms. As regards the latter, it was suggested (1) that the prohibition already existing in some Provinces in respect of the licensing of shops for the sale of preparations of opium used for smoking should be universally applied, the manufacture of such preparations being only allowed, in restricted quantities, by private individuals for their own use, and (2) that the desirability of taking legislative measures to prohibit the use of premises as smoking saloons by the public generally or by so-called clubs should be considered.

The action taken on these recommendations is described in the following paragraphs.

Introduction of an assamiwar system of dealing with poppy cultivators in the Behar Opium Agency, and the question of fully developing that system in the Benares Agency.

96. Previous to the Commission's Report, the defects in the system then obtaining throughout the Behar Opium Agency of dealing with poppy cultivators through middlemen (khatadars) had attracted the attention of the Government of Bengal, and that Government had, in April 1895, submitted proposals to the Government of India for the assimilation of the system in Behar to that existing in the Benares Agency, and for the abolition in the former Agency, at the option of the cultivators, of the practice of dealing entirely through representatives. After careful consideration of the proposals of the Local Government and the recommendations of the Royal Commission on the subject, the Government of India, in letter No. 4206-S.R., dated the 30th August 1895, authorised the experimental introduction into selected subdivisions of the Behar Agency of a scheme for making payment to the poppy cultivators, for opium delivered, either direct or through a representative, at the cultivators' option; and at the same time affirmed the desirability of developing, as soon as it might be practicable, throughout both Agencies, a system of direct dealing for settlements and advances as well as for payments, in so far as this might be desired by the cultivators themselves. In letter No. 1437-S.R., dated the 27th March 1896, an experimental trial in selected tracts of Behar (Barhi,

\* *i.e.*, payments made to cultivators individually. Adapur and Phulwari) of the system of

assamiwar payments\* to the cultivators was determined on, and sanction was given to the deputation of an experienced officer of the Opium Department to supervise the working of the experiment and to study the whole question.

The officer selected for this special duty was Mr. A. G. Tytler, C.I.E., and it was found that, excepting in Barhi, the conditions of which differed from the rest of the Behar Agency, the cultivators in that Agency were not generally prepared to attend personally at the opium *kothis* to receive payments direct from gazetted officers of the Department, but preferred to receive them through representatives (khatadars); and that all that they desired was that their accounts should be adjusted separately instead of in a lump by each "*khata*" (or group), so that each man might be paid in full for the amount of opium produced by him, instead of being made liable to deductions on account of the failure or insufficient production of his neighbours, as hitherto. Accord.

ingly, an "intermediate assamiwar system" was devised, which follows a middle course between the khatadari system obtaining in the Behar Agency and the assamiwar system obtaining in Benares, its fundamental principle being to make payments in full for each cultivator, but through their khatadars. Any cultivator who chooses to attend personally at the weighments will, however, under the system, as now worked, have the opportunity of having the correctness of the payment made to him by the khatadar tested. At the instance of the Government of Bengal the trial of this new system in the Aliganj sub-agency of Behar was sanctioned by the Government of India for a period of one year with effect from 1st September 1896.

97. The reports of the local authorities on the results of the two experiments thus sanctioned were received by the end of 1897. It was shown that in two out of the three tracts in which an assamiwar system after the fashion of that in vogue in the Benares Agency had been tried, it had proved a failure; while the working of the "intermediate system" in Aliganj had up to date been completely successful. It was accordingly recommended by the Bengal Government that the Benares system should, as regards Behar, be maintained only in Barhi, where it had proved a success; and that as regards the rest of the Behar Agency, no final decision should be taken until the effects of the "intermediate system" had been further tested, the system being meanwhile continued in Aliganj.

Certain subsidiary proposals were also submitted by the Government of Bengal in this connection with reference to the grant of increased rates of pay without commission (in lieu of the then existing rates of pay *plus* commission) to the whole of the office and *kothi* establishments employed in the tract worked under the intermediate system, the rates of remuneration to be allowed to khatadars under the intermediate and assamiwar systems respectively, the responsibility to be imposed upon them in respect of the recovery of outstanding balances from defaulting cultivators, and the grant of commission to zilladars \* in respect of excess cultivation over a given standard.

\* A zilladar in the Opium Department is a supervisor of cultivation.

In letters Nos. 1421 and 2196 Ex., dated respectively the 25th March and 13th May 1898, the above proposals have been generally approved in principle by the Government of India; the "intermediate system" has been provisionally accepted as the one best suited to the conditions of the Behar Agency generally; and, with reference to a supplementary and further report received from the Government of Bengal, its extension to two new Sub-agencies has been authorised, and it has been decided that its further application should be gradual so as to ensure our officers being able to carry it out to advantage. The attention of the Bengal Government has at the same time been drawn to certain defects in the working of the assamiwar system in the Benares Opium Agency which were disclosed by the enquiries instituted in connection with the question of applying that system to the Behar Agency; and it has been asked what steps it considers necessary to remedy them so as to carry out the recommendation of the Royal Commission that the system of direct dealing with cultivators should be fully developed.

These proceedings were reported to the Secretary of State in Despatch No. 116, dated the 5th May 1898, and have been approved by His Lordship.

98. In regard to the question of the better payment of *kothi* establishments, a report on the present position of affairs and an expression of the views of the Government of Bengal on the recommendation made on the subject by the

Better payment of the *kothi* and office establishments attached to the



Benares and Behar  
Opium Agencies.

Royal Opium Commission were called for in November 1895, and final proposals are awaited. In the meantime, as observed in the last paragraph, the question of the better payment of the *kotahi* as well as of the office establishments attached to both the Behar and Benares Opium Agencies, and their general remuneration by fixed salaries instead of, as is now the case, partly by salary and partly by commission on the amount of opium with which they have to deal, has come under consideration in connection with the revision of the Behar system of dealing with the cultivators; and in their letter of 25th March 1898, No. 1421-Ex., above referred to, the Government of India have provisionally indicated certain revised rates of pay proposed by Mr. Tytler for both classes of establishments as likely to afford a satisfactory solution of these questions.

Amendment of the  
Provincial Opium  
Rules so as to  
prohibit the sale of  
smoking preparations  
of opium and  
to restrict their  
possession and  
manufacture by  
individuals for their  
private use, and to  
give effect to  
certain other  
administrative  
reforms.

99. With reference to the Commission's recommendation for the prohibition throughout India proper of the sale of preparations of opium used for smoking and the restriction of the possession and manufacture of such preparations by individuals for their private consumption, Local Governments and Administrations (other than that of Burma, where opium smoking is the common form of indulgence) were asked in Resolution No. 5460-S.R., dated the 19th November 1895, to submit for the approval and sanction of the Government of India any alterations in the Provincial Opium Rules that might be required to give effect to the measure; and the Rules have since been revised with that object.

In effecting the revision of the Rules in this connection, advantage has also been taken to introduce into some Provinces certain administrative reforms which were found to be necessary:—

- (1) Under the Rules formerly in force in Bengal, the North-Western Provinces and Oudh, the Punjab and Assam, certain concessions in regard to the import and possession of foreign opium were allowed in favour of travellers, visitors and horse-dealers, entering India from foreign countries. In Resolution No. 1784-S.R., dated the 21st April 1896, it was decided that the definition of "India" contained in these Rules should be so worded as to include therein the territories of Native States as well as the French and Portuguese Indian settlements. It was also intimated that the concessions allowed to foreign travellers, visitors and horse-dealers in respect of the import and possession, free of duty, of opium produced out of India, were unnecessarily large, and that they should be restricted, in the case of travellers and visitors, to persons of rank and position only, and be safeguarded by the grant of passes or other suitable means; while, in the case of horse-dealers, though the possession of opium in greater quantities than is allowed under the ordinary Rules might be permitted, such opium should be made liable to payment of duty on import in the ordinary course. The Opium Rules of the Provinces named above, and those of Burma also, were amended with reference to these considerations.
- (2) The Rules in force in the Baluchistan Agency, which had originally been of a simple and somewhat primitive character, were made more complete and systematic.
- (3) Revised Opium Rules have been sanctioned for Berar in view to placing the arrangements for the import and vend of opium in that Province on a more satisfactory footing.

100. In the Resolution of the 19th November 1895, quoted above, Local Governments and Administrations were also asked to furnish the Government of India with their opinions as to the possibility or advisability of undertaking legislation against the use of premises as smoking saloons either by the public generally or by so-called clubs, as suggested by the Royal Opium Commission. Their replies, which were received by the beginning of 1897, showed that the consensus of opinion was against such a measure, mainly on the grounds (1) that it would become a means of extortion and oppression on the part of subordinates in the Police and Preventive Departments, and (2) that it might result in making the practice of opium smoking in private more general than it had hitherto been. The Government of India, after a careful consideration of the whole case, reported to the Secretary of State in Despatch No. 137, dated the 25th May 1897, that it was at present undesirable to undertake penal legislation against opium smoking in saloons and clubs. They pointed out that the measures which had been already taken against the sale of preparations of opium used for smoking, supplementary as these were to the prohibition imposed in 1891 in respect of smoking on shop premises, were calculated to extinguish the practice gradually; and that their effect should be watched before further steps were taken. In the event of its being eventually found that the habit of smoking opium had not been checked by these measures, they promised to reconsider the position. This decision was concurred in by the Secretary of State in his Despatch No. 115 (Revenue), dated the 22nd July 1897.

101. In 1888 it had been decided by the Government of India to restrict the area of poppy cultivation in the Benares and Behar Opium Agencies so as to give a normal production of 57,000 chests of Provision opium a year with a normal reserve of 30,000 chests. Subsequently, however, a series of bad seasons had materially diminished the production, and in consequence of the discouragement thus caused to cultivators, the area of land under cultivation had fallen off, so that during 1894 it had been found possible to arrange for the sale of only 42,300 chests, and this by completely exhausting the reserve. Finally, the crop of 1893-94, which in the ordinary course would be available for sale in 1895, promised to be the worst on record, the total outturn being expected to amount to not more than 32,000 chests, including Excise opium. Under these circumstances remedial measures were necessary to prevent the Government losing its hold on the China market, and in 1894 the Government of Bengal submitted the following proposals for effecting the object desired:—

- (1) That the system of purchasing Malwa opium for Excise purposes, which had been in force prior to 1886, should be revived so as to release a corresponding quantity of Bengal opium for export; and
- (2) That the price paid for crude opium to poppy cultivators in the Behar and Benares Opium Agencies should be raised from Rs 5 to Rs 6 per seer.

102. The purchase of Malwa opium for Excise purposes was sanctioned by the Government of India in May 1894, and a special officer has since been annually deputed to Indore to arrange for such purchases on behalf of Government to the extent generally of 3,000 maunds *per annum*.

In 1895 it was suggested by the Government of Bengal that the arrangements for the purchase of Malwa opium for Excise purposes should be placed on a more permanent footing; but it was pointed out by the Government of

India in letter No. 3148-A., dated 4th July 1895, that the resumption of these purchases was only a temporary measure, which it was intended to discontinue as soon as a sufficient reserve of provision opium has been established.

Enhancement of the price paid to poppy cultivators in Bengal for crude opium.

103. The enhancement of the price of crude opium to poppy cultivators in Bengal from R5 to R6 per seer was sanctioned in June 1894, the Government of India observing at the same time in letter, dated 7th June of that year, No. 2903-A., that they had no desire to extend the area of cultivation or the annual sale of opium beyond the scale which had been decided on in 1888.

Enhancement from R7-4 to R8-8 per seer of the cost price of Bengal opium charged to the Excise Department of the Provinces in which such opium is consumed. Consequent increase of the Treasury selling prices of such opium in Bengal and Burma, and of the taxation on Chinese and Shan opium consumed in the latter Province.

104. In Provinces in which Bengal opium is used for Excise purposes the "Opium" revenue is credited with an amount approximating to the cost price of the drug, the remaining revenue derived therefrom being an "Excise" receipt. The amount thus credited to "Opium" was, consequent on the enhanced payment to cultivators above referred to, raised, from 1st July 1895, from R7¼ to R8½ per seer, and as a result of this increase the issue prices of Bengal opium at Government treasuries in Bengal and Burma were likewise raised by R1 per seer in each case.

The import duty on opium brought into Upper Burma from China and the Chinese Shan States was likewise raised from R15 to R17 a viss of 3·65lb; and a corresponding transport duty was imposed on opium brought from the British Shan States. These arrangements were, as regards Burma, brought into force in 1896.

Regulation of poppy cultivation in Bengal with reference to a revised standard of production.

105. The question of permitting the extension of poppy cultivation in Bengal and the North-Western Provinces and Oudh, and of revising the standard of production, which had been fixed at 57,000 chests of Provision opium *per annum* in 1888, came under the consideration of the Government of India in 1896. In a Resolution No. 2439-S.R., dated the 8th June of that year, it was laid down that the area of cultivation should, as far as possible, be fixed so as to produce 54,000 chests of Provision opium, in addition to the quantity of Excise opium required annually for consumption in British India, this being estimated at 7,000 or 8,000 maunds at 90° consistence. The fixing of a specific quantity of opium to be held as a reserve stock was at the same time abandoned. If in any year the actual production was more than sufficient to turn out 54,000 chests of Provision opium, the balance would be held in reserve to meet future demands.

Special opium arrangements in Burma.

106. The following special arrangements in regard to the possession and consumption of opium are in force in Burma:—

- (1) Burmans in Upper Burma may not possess opium except for medical purposes.
- (2) The same restriction applies to Burmans in Lower Burma save in regard to those who have been specially registered as opium consumers.
- (3) Non-Burmans may possess opium, subject to the limit of possession laid down in the Provincial Opium Rules, for private consumption.
- (4) Travellers of distinction entering Burma by land may possess opium produced in the Shan States, or out of India, which they have brought with them for private consumption.
- (5) Persons to whom special licenses have been granted may possess opium in accordance with those licenses.

The prohibition of possession of opium by Burmans, save for medical purposes, had always been enforced in Upper Burma; and in 1894 it was applied to

Lower Burma also, with the proviso above referred to in respect to registered consumers, to avoid inflicting hardship on those Burmans who had become addicted to the use of the drug. Burmans who have failed to register themselves on the new system being introduced, come under the general rule of prohibition.

This measure was followed by the fixing of a limited number of places in Lower Burma at which opium might be sold either in licensed shops or by direct Government agency, the maximum amount of opium to be sold yearly at each place being at the same time fixed.

To prevent the illicit supply and consumption of opium a special Excise establishment was sanctioned in August 1894, as an experimental measure, up to the 31st March 1896; and this sanction has since been extended up to March 1899, and the establishment has been somewhat further strengthened. It appears questionable, however, from the reports received up to date from the local authorities, whether any marked success has as yet been achieved in the suppression of the illicit traffic in opium which is known to be carried on in Burma; and in connection with a proposal recently submitted by the Local Government for the modification of the existing arrangements for the vend of opium in certain localities, the Government of India, in letter No. 5559-Ex., dated 24th December 1897, discussed the working of the policy adopted in 1893 in respect of the possession and use of opium by Burmans in Lower Burma, and called for a further report on the subject by the Local Government.

107. In Foreign Department letter No. 180-P. O., dated 3rd November 1894, His Highness the Amir of Afghanistan was informed, with reference to enquiries which he had made on the subject, that consistently with the maintenance of the Indian Excise system with respect to opium, and subject to the payment of any import duty that the Government of India might think fit to impose, facilities would be given to him for the export to, and sale in, India of opium produced in his territories, and that there would also be no objection to his exporting such opium from Calcutta to China, provided that it was packed for transit in the same way and paid duty at the same rate as Malwa opium similarly exported from Bombay. No practical result has, however, yet ensued.

Import and sale of Afghan opium in India.

108. It is the policy of the Government to fix the rates of pass duty on Malwa opium at the maximum amount which the trade can legitimately bear. On the 5th July 1890 the rates had been fixed at R625 a chest (each chest contains 140 lbs. or 70 seers) on opium weighed at Ajmere and R600 a chest on opium weighed at other places. In consequence, however, of the heavy fall in the exchange value of the rupee after January 1894 and the increase in the price of Bengal Provision opium due to short supply, the price of Malwa opium in Bombay had risen by about R200 per chest between January and July 1894. Under these circumstances the Government of India, on the 11th December 1894, sanctioned an enhancement in the rates of duty by R50 a chest.

Variations in the rates of duty on Malwa opium exported by sea from Bombay.

After the above enhancement, prices advanced considerably, but the exports began to steadily decline. Enquiries made went to show that the higher prices were due rather to a depletion of the reserve stock of opium in Malwa and to a decrease in the annual outturn of the drug there, than to any increase in the demand in China; and it was deemed advisable, both in the interest of the Government revenue and of the opium trade, to restore the rates of duty obtaining before December 1894. This decision was carried into effect on 23rd July 1895.

The restoration of the former rates was, however, not sufficient to arrest the steady decline in the trade, which was assisted by the smaller rupee price

obtained consequent on the closing of the mints and the rise in value of the rupee, as compared with dollars and taels, in which transactions are carried on in China. The competition of the Chinese opium prevented these from rising in proportion. Accordingly, with the previous approval of the Secretary of State, the rates were further reduced by R100 per chest with effect from 27th October 1897, and they at present (December 1898) stand as follows :—

	R
Upon opium weighed at Ajmere . . . . .	525 per chest.
„ „ at other scales . . . . .	500 „

Control and  
taxation of opium  
in the Punjab.

109. Prior to 1895 the control of, and taxation on, opium in the Punjab were inadequate, and the question of improving the Provincial system of Excise in respect to the drug had been for some time under consideration. It was decided in October 1895 to impose, with effect from 1st April 1896, a duty of R2 per seer upon all opium imported into the Punjab, other than Malwa opium, on which a duty of R3 per seer was already payable. In Government of India letter No. 4712-S. R., dated 2nd October 1895, the Punjab Government was at the same time directed to consider the desirability of bringing opium production within the Province under more adequate control; and the restriction of poppy cultivation and the substitution of a quantitative duty for the existing system of acreage taxation were suggested.

In pursuance of these instructions the Punjab Government decided to restrict the cultivation of the poppy to selected tracts with effect from the 1st September 1897; while, on 1st April 1898, the import duty on Malwa opium was raised from R3 to R4 per seer. The Government of India have accepted the opinion of the Local Government that acreage duty is for the present the best means of taxing home-grown opium in the Punjab, and proposals to enhance this duty have been held over until the Province is in a better position to dispense with external supplies from Malwa and Bengal (*vide* letter to Punjab Government, No. 1385-Ex., dated 23rd March 1898, the remarks in which were accepted by the Local Government).

Abolition of the  
minimum  
guaranteed vend  
system in the  
Baroda State.

110. Under agreements dating so far back as 1820, the Baroda State enjoys the right of growing opium in its territories for local consumption and for export to China, and of making its own arrangements for the retail vend of opium in its territories. It is, however, bound not to allow its opium cultivation to exceed what is necessary for these purposes, and to regulate its sale prices so as not to be detrimental to the British opium revenue. The retention of the minimum guarantee system of opium vend in Baroda, after its abolition in Bombay in 1892, gave rise to complaints by the Bombay authorities, for under this system the Baroda opium farmers were required to pay duty on a certain minimum quantity of opium, even though their actual sales fell short of that amount, and were therefore under the temptation to dispose of their stocks illicitly in British territory. Accordingly, on the representation of the Government of Bombay, this system was abolished by the Baroda authorities in 1896.

Employment of a  
special detective  
agency for the  
prevention of  
opium smuggling  
into British  
territory from the  
Native States  
of Central India  
and Rajputana.

111. It having been found that there was an extensive and successful system of smuggling opium from the Native States in Rajputana and Central India into British territory, which could only be effectively broken down by arrangements for tracking and watching the smugglers in the native opium tracts from which they conducted their operations, the Government of India proposed, in their Despatch of 4th March 1896, No. 62, to employ, as an experimental measure for two years, under the supervision of the Central Special

Branch of the Thagi and Dakaiti Department, a special detective agency whose duty would be the collection of such information in the opium markets and centres of opium production in Native States in Central India and Rajputana as would enable the officers of Government to take action with success against smugglers on their arrival in British territory. It was not contemplated that the new agency should institute proceedings against intending smugglers within the territory of any Native State, and special care was to be taken to prevent the agency from becoming a source of possible friction with the Durbars. On receipt of the Secretary of State's sanction this special detective agency was organised with effect from the 1st July 1896. The agency has already done much good work, and is to be maintained on its present footing till March 1899, by which time the question of its further retention or otherwise will have been considered.

112. In November 1895 the Government of Bengal submitted memos<sup>Revision of the scale of salaries of officers of the Opium Department.</sup> from nearly all the officers of the Opium Department, containing requests for improvement in their position and prospects. The most important question raised in this connection was that of salaries, and the Government of India, after correspondence with the Government of Bengal (letter No. 3262-Ex., dated 30th July 1896), addressed the Secretary of State on the subject in Despatch No. 373, dated 30th December 1896. They represented that the existing scale of salaries was too low to attract officers of the stamp desired, and submitted the following proposals:—

- (1) That a new grade consisting of two appointments with a pay of <sup>\* The pay of the highest existing grade was R900.</sup> R1,000 a month should be created,\* the total number of appointments in the Department remaining unaltered.
- (2) That to obviate stagnation in promotion, the pay of the officers of the Department should gradually rise, according to length of service, from R200 to R600 *per mensem*.
- (3) That thereafter all increase of pay should, as formerly, be dependent upon the occurrence of vacancies in the four highest grades of the service (R700 to R1,000).

This scheme, having been approved by the Secretary of State, was brought into effect on 1st April 1897.

113. Under the system at present in force for the recruitment of the Opium Department every fourth vacancy is filled by the appointment of a native of India of pure Asiatic descent and the remainder by Europeans or Eurasians on the result of competitive examination among a limited number of nominated candidates. The Government of Bengal represented in May 1895 that this system had not produced an altogether satisfactory class of European recruits, and suggested that these should hereafter be obtained from England. After a careful consideration of the subject, the Government of India, in letter No. 4498-Ex., dated 20th October 1896, adhered to the view which they had taken on a former occasion, that the strength and prospects of the Opium Department were not such as to admit of its being successfully recruited from England, or to induce men of the class desired to come out to be examined in India. The Bengal Government was accordingly informed that the Department must continue to look for its European and Eurasian recruits to young men who had been brought up in India or who had adopted it as their home. At the same time various suggestions were made with a view to increasing the

number of desirable candidates and making the examination one of a less purely literary character. These have been accepted by the Local Government, and will shortly be brought into force.

Disposal of  
confiscated opium.

114. In February 1898 the Government of India requested all Local Governments and Administrations to adopt the practice, already in force in the North-Western Provinces and Oudh and Bengal, of sending confiscated contraband opium, which is fit for human consumption, to the Opium Factories at Patna and Ghazipur, instead of disposing of it locally. Petty seizures not exceeding 5 tolas in weight were, however, excluded from this direction. The object in view was to utilise this contraband opium, which is generally of an inferior description, in the subsidiary processes of manufacture at the Factories, thereby setting free good provision opium which would otherwise have to be used.

## SECTION XIII.

## SALT.

115. In October 1892 the fishing community in the South Canara District appealed against the orders of the Government of Madras declining to withdraw the prohibition against the use of salt-earth for fish-curing purposes. After considerable discussion of the subject it was decided that the concession asked for by the petitioners could not, in the interests of the revenue, be granted; but in 1894 the Madras Government reduced the price of salt issued to fishermen in South Canara from 12 to 10 annas a maund, and determined to bear the cost of the construction and upkeep of all fish-curing yards in the district and to add to their number whenever necessary.

In 1896 the issue price was further reduced to 6½ annas per maund, and in 1897 the principle that the upkeep of fish-curing yards should be a charge on Government, and not on the curers, was applied to the Presidency generally.

116. In 1894 the Madras Government proposed the enactment of a law making the sale of salt by weight instead of by measure compulsory in all retail transactions. The chief grounds for the proposal were that, as the duty is levied by weight, sale by measure tended to bring about an unequal incidence of taxation on the consumer; that it also afforded opportunities of defrauding an ignorant purchaser; and that light salt which measure-sales favoured was generally of an inferior quality.

The Government of India, in their letter No. 3175-S.R., dated 26th June 1894 (Financial), negatived the proposal. They pointed out that it was undesirable to interfere in matters of buying and selling, which the people are generally well able to look after for themselves; that the legislative interference proposed would prove a fruitful source of extortion and interference with private transactions; that traders can, if so disposed, cheat as easily in weight as in measure; and that no necessary connection between the weight and purity of salt had been shown to exist. With reference to the competition of light Bombay salt in the Madras markets which the Madras Government had referred to, it was added that, as Madras and Bombay salt paid the same rate of duty, such competition was not to be deprecated.

117. To prevent the smuggling of salt produced in Portuguese India into British territory, the import by land of Daman salt was prohibited in January 1895, while in March of that year Goa salt was allowed to be brought into the Bombay Presidency only by certain specified routes.

118. Under the recommendation of the Madras Salt Commission of 1876, the manufacture and sale of salt in that Presidency as a Government monopoly had been largely superseded by private manufacture under an excise system. This system has, however, owing to the general poverty of the salt manufacturers and their dependence on capitalists, whose interest it is to manipulate the salt market to their own advantage, failed to secure the advantages in respect to cheapening the price of salt and improving its quality which were expected of it. A reversion to the monopoly system has accordingly been sanctioned in some important factories, and under the policy explained in Government of India Despatch No. 162 (Financial), dated 18th June 1895, similar reversions will be encouraged in other excise factories in which a large

*Concessions to fish-curers in the Madras Presidency.*

*Proposed compulsory sale of salt by weight instead of by measure in Madras negatived.*

*Measures for preventing the smuggling of Portuguese salt into the Bombay Presidency.*

*Working of the excise system of salt manufacture in the Madras Presidency.*



proportion of the licensees are willing to accept the change without demanding compensation.

As a check on the excise factories still existing, the Madras Government manufactures and accumulates stocks of salt which it holds in reserve to be brought on the market in the event of an undue rise in the price of the excise article. Improved measures for keeping this reserve fresh by periodical sales are at present under discussion with the Local Government.

As a result of these measures, the rise of prices which had been concomitant with the extension of the excise system has been satisfactorily checked.

*Measures to  
improve the Salt  
Revenue in Lower  
Burma.*

119. In 1894 the attention of the Government of India was drawn to a considerable falling off in the consumption of salt in Lower Burma. The duty on salt produced within the province is mainly realised from license fees on the pots and cauldrons used in salt manufacture, which are supposed to be regulated so as to approximate to a tax of **Rs 1** a maund on the salt produced, the amount paid as duty on imported salt. In 1895 the Government of Burma reported that the composition rates for pot and cauldron licenses had been raised; that manufacture of salt was to be stopped in the districts of Pegu and Thongwa from 1st January 1897; and that the possibility of restricting manufacture in other districts would be considered. In their letter No. 5598-S.R., dated 2nd December 1895 (Financial), the Government of India pointed out that the composition rates might be further increased and manufacture further concentrated. Steps were taken accordingly by the Government of Burma, the manufacture of salt being limited to specified tracts in certain districts; but in their letter of 20th April 1897, No. 1757-S.R., the Government of India pointed out that the Salt Revenue was still not adequately protected, and that there had been an extensive displacement of imported salt paying **Rs 1** per maund by the locally manufactured article, which in practice paid far less. The Lieutenant-Governor therefore enhanced the composition rates with effect from 1st January 1898, and is giving the matter his further attention.

*Provincialisation  
of Burma Salt  
Receipts.*

To interest the Local Government in the growth of the salt revenue, it has been decided that the salt receipts in Burma shall be provincialised from 1st April 1898, the Local Government receiving half the net proceeds, which are estimated at present at  $7\frac{1}{2}$  lakhs *per annum*, which amount will be deducted from the net assignment made under the present Provincial Contracts. A Salt Administration Report for the Province will hereafter be submitted annually to the Government of India.

*Repeal of the  
Inland Bonded  
Warehouses Act,  
XXI of 1887, by  
Act XII of 1896.  
Concessions in  
regard to duty on  
salt for inland  
consumption.*

120. Under Act XXI of 1887, it was competent for Local Governments to establish or license bonded warehouses at places other than warehousing ports, and to bring them under the bonding and warehousing provisions of the Sea Customs Act. In March 1896 this enactment was superseded by Act VIII of 1896, which was designed to afford greater facilities for the conveyance of salt inland under bond. Section 4 of the new Act, which is of general application, re-enacts the provisions of the older Act; while sections 5 to 7, which are applicable only to such parts of British India as the Governor General in Council may specially notify, provide for the establishment or licensing of inland salt warehouses and for the conveyance to and issue therefrom of salt on which payment of duty is deferred under "time-bonds." The time-bond provides for the payment of duty in convenient instalments, but may not extend beyond the period by which the salt may be reasonably expected to pass into consumption or in any case beyond six months.

In February 1897 the provisions of sections 5 to 7 of this Act were extended to territories administered by the Lieutenant-Governor of Bengal; rules framed by the Government of Bengal for working the time-bond system being at the same time approved.

The question of extending these sections to Assam also is at present under consideration; but there is a legal difficulty in the way owing to the fact that the Chief Customs authority and the Chief Customs Collector, who are required under the Act and the Bengal rules to license warehouses and pass consignments of salt thereto under bond, do not exist in this inland province. This will probably be removed by supplementary legislation.

The extension of sections 5 to 7 of the Act to Madras and Bombay has not yet been applied for, as in those provinces salt is already issued under 'credit systems,' which allow a deferment of duty payments till the salt is likely to pass out into consumption.

121. The Kohat salt mines at Jutta, Malgin, Nari, Kharak, and Bahadur Khel are situated in the central hill ranges of the Kohat District, trans-Indus. *Enhancement of the duty on Kohat Salt.* Prior to the year 1883, the duty on salt produced at these mines ranged from 2 to 4 annas per Lahori or Kohat maund ( $102\frac{1}{2}\frac{7}{8}$  lbs.), but in that year it was increased to a uniform rate of 8 annas per Kohat maund.

In consequence of this low rate of duty, it was found necessary to prohibit the transit of Kohat salt from the right to the left bank of the Indus, and to maintain a preventive line in order to render this prohibition effectual and prevent the Kohat salt competing in the *cis*-Indus districts with the fully taxed salt produced from other sources. The restrictions upon traffic imposed by the preventive line were necessarily vexatious, and the expenditure which it entailed considerable; while there did not appear to be sufficient reason for taxing the consumption of salt so much more lightly in the *trans*-Indus than in the *cis*-Indus districts of the Punjab. It was decided therefore that the duty on Kohat salt should be enhanced to a rate which, taking into account its inferior quality and the expense of bringing it *cis*-Indus, would be sufficient to prevent its competition with fully taxed salt and to admit of the abolition of the Indus line. The duty was accordingly raised to R2 per Kohat maund (equal approximately to R1½ per British maund) in July 1896, and the reasons which had prompted this step were fully explained to the Secretary of State in Government of India Despatch No. 272 (Financial), dated 30th September 1897.

It may be mentioned in this connection that this increase of duty was one of the reasons put forward by the Khyber Afridis and some of the Orakzai clans who took part in the recent frontier disturbances for taking up arms against the British Government. As a matter of fact, however, this was not one of the contributory causes of the disturbances, but was put forward as a pretext after the tribes had committed themselves to hostilities.

122. Following on this increase of duty, the following arrangements have now been sanctioned in respect to Kohat salt and reported to the Secretary of State in Government of India Despatch, dated 14th July 1898, No. 195 (Financial):— *Abolition of the Indus Preventive line and connected changes.*

- (1) The Indus Preventive force has been disbanded.
- (2) Transport of Kohat salt to the *cis*-Indus tracts and its transmission therein is only prohibited in respect to quantities in excess of 5 seers, and the enforcement of this prohibition is left to the ordinary Revenue and Police establishments and the authorities of the North-Western Railway.

The above measures are in the nature of an experiment, and are liable to reconsideration if it should be found that Kohat salt is actively displacing other salt *cis*-Indus.

- (3) The administration of the Kohat mines has been transferred from the Government of the Punjab to the Salt Commissioner, Northern India, but they will, for the present, remain under the control of the Deputy Commissioner of the district as *ex-officio* Deputy Commissioner of Salt Revenue.
- (4) To meet the convenience of traders, duty on Kohat salt may be paid at Government treasuries *trans*-Indus instead of at the mines as hitherto.
- (5) The mine at Nari has been closed, the question of closing other small mines, which are open to the criticism of requiring more supervision than their produce justifies, being reserved for the present.

*Proposals for the establishment of a fish-curing industry in Bengal considered.*

123. In 1896 the Government of Bengal submitted for favourable consideration a request from a Calcutta firm for remission of duty on salt to be imported by them for issue to fish-curers, and asked for approval to the importation of "fishery" salt either duty free or at a reduced rate of duty; its storage in inland bonded warehouses and issue under suitable precautions for fish-curing; and the opening of fish-curing yards as in Madras.

The Government of India were obliged, in the interests of the salt revenue, to negative the proposal for the reasons explained in a subsequent Despatch No. 142 (Financial), dated 19th May 1898, to the Secretary of State. It was pointed out that the concessions admissible in Madras and Bombay, where there was a large consumption of salt fish and an old established curing industry, did not apply to a province like Bengal, in which there was an ample supply of fresh fish at all seasons of the year. The establishment of a fish-curing industry there would be of doubtful utility, and would not justify the supply of salt duty free. Such a concession would be a protective measure, imported salt fish being subject to duty, and would be followed by a similar demand for exemption for local curing of provisions of other descriptions. The Secretary of State, who had at first been inclined to doubt the wisdom of the Government of India's decision, was convinced by these arguments, subject to reconsideration if there should at any future time be evidence of a genuine popular demand for salted fish in Bengal.

The Government of India are willing, as they originally informed the Government of Bengal, to remit, under due precautions against abuse of the concession, duty on salt which can be satisfactorily proved to have been irrecoverably lost in the process of fish-curing, but cannot in the interests of the revenue go beyond this.

*Repeal of the Bengal Salt Acts hitherto in force in Assam.*

124. The Bengal Salt Acts, VII of 1864 and I of 1873, were passed before Assam had been separated from Bengal, and therefore extended to Assam also. Subsequently when Assam was made a Schedule District under Act XIV of 1874, these two Acts, among others, were by notification declared to be in force in the Plain Districts of Assam. But in 1896 it was decided that no salt law was needed in Assam, and the Bengal Salt Acts of 1864 and 1873 nominally in force there were accordingly repealed.

*Re-transfer of the administration of the Salt Department in*

125. In 1885 the salt administration of Orissa was transferred to the Salt Commissioner of Madras, who was to work under the general control of the Bengal Lieutenant-Governor and Board of Revenue. But it was found that

the Madras salt system could not be properly worked under the law (India Act XII of 1882) in force in Orissa, and the presence of the Madras salt officers in the province gave rise to a good deal of friction with the local authorities.

*Orissa to the Government of Bengal.*

In the meantime enquiries made by an officer of the Northern India Salt Department in 1894 and by two local officers in 1896 had placed it beyond doubt that illicit manufacture of salt was prevalent in Bengal proper. Accordingly it was decided in 1897 that the Bengal Government should revise its own salt law (Bengal Act VII of 1864) to provide more effectually for the suppression of illicit manufacture in the saliferous tracts and should organise a special preventive establishment to deal with such practices. Under these circumstances, the separation of the salt administration of Orissa from that of the rest of the province would no longer be necessary, and in letter No. 2143-S. R., dated 12th May 1897 (Financial), the Government of India, with the consent of the Madras Government, ordered that the Orissa Administration should revert to the Government of Bengal. This step was carried out in October 1897.

The legislation necessary to put the salt administration of Bengal on a satisfactory footing is now, having been approved in principle by the Government of India, under the consideration of the local Legislative Council, and proposals for establishing an efficient Salt Department in the province have been laid before the Secretary of State. In the meantime, the saliferous tracts in Bengal proper are being supervised by a portion of the establishment transferred by Madras with the reversion of Orissa, and to assist their operations the provisions of Act XII of 1882 have been temporarily extended to these tracts and manufacture of salt forbidden therein.

*Fresh salt legislation for Bengal, and creation of an efficient preventive force to cope with illicit production of salt in its saliferous tracts.*

126. The British Government has the right to open salt works in Baroda Territory, but has refrained from exercising it on condition that His Highness the Gaekwar will take effective measures for the repression of illicit manufacture within the State. Complaints having been made by the Bombay salt authorities, and found not to have been without foundation, that illicit manufacture of salt from salt-earth was being carried on in Baroda to the detriment of the British salt revenue, the Government of Bombay was, in 1897, requested to arrange for the deputation of an officer of the Bombay Salt Department to inspect the places in the Baroda Territory where the illicit manufacture of salt is being carried on, and to advise the Durbar as to the measures which should be adopted for the suppression of such manufacture.

*Illicit manufacture of salt in the Baroda State.*

127. The manufacture of salt at Aden is confined to the works in the village of Shaikh Othman, purchased by the British Government from the Sultan of Lahej in 1881, and is carried on by certain Arab merchants and an Italian Company. The Arabs have no regular *sanads* for the manufacture of salt, but have acquired certain rights by prescriptive title and long use, and these have been tacitly recognised by the British Government since the acquisition of Shaikh Othman. The Italian Company, on the other hand, was granted a lease of certain lands for the manufacture in that village, the lease being for 99 years with effect from the year 1885, with a monopoly of manufacture up to 1896.

*Proposed establishment of Government salt works for the manufacture of salt at Aden considered inexpedient.*

On the expiration of this monopoly, an officer of the Salt Department was deputed to Aden for the purpose of instituting an enquiry as to the possibility of establishing Government salt works at Aden or in its vicinity; but as his report showed that this project would be unprofitable in the face of the competition of the Italian Company, it was abandoned for the present. An application from the Company for the grant to them of certain additional lands suitable for salt manufacture and now at the disposal of Government has, however, been refused so as to give the Government a free hand for the future.

## SECTION XIV.

## STAMPS AND COURT-FEES.

*Consolidation  
of Stamp  
notifications.*

128. The notifications issued from time to time under Section 8 of the Indian Stamp Act of 1879, sanctioning remissions or reductions of duty, were re-issued in 1895 in a consolidated form.

*Proposed revision  
of rates of discount  
on sale of stamps.*

129. The rates of discount allowed on the sale of both judicial and non-judicial stamps vary materially in the several provinces, and as far back as 1881 the question of assimilating them had been examined, but it was decided that owing to differences in local conditions, the system of differential rates could not then be discontinued. The question has, however, been again raised by the discovery that in recent years an irregular traffic has been carried on in the exportation of stamps from provinces in which the rates of discount are high to provinces in which the rates are low; some provinces have in consequence been getting less than their proper share of stamp revenue, while others, by supplying to some extent the needs of neighbouring provinces as well as their own have been getting more.

With a view to a general revision and assimilation of rates, Local Governments were in Financial Resolution No. 581-S. R., dated 4th February 1898, addressed on the subject, which is still under consideration.

*Extension of  
Stamp Act to  
Upper Burma.  
Amendment of the  
Indian Stamp  
Act.*

130. In 1897 the Indian Stamp Act of 1879 was extended to Upper Burma, with the exception of the Shan States.

131. The Indian Stamp Act, 1879, has been several times amended, but the majority of the defects in the working of the Act which were brought to notice in the course of time were not sufficiently important to warrant separate treatment, and the proposals for remedying them were held over till the time had arrived for the general revision and consolidation of the law. Eventually it was decided to take up the question of bringing before the legislature a general amending Bill, and in Financial Resolution No. 528-S.R., dated 30th January 1895, Local Governments were supplied with a statement of the proposals which had been made for the amendment of the Act and were asked to bring to notice any other points in which the Act required revision, and especially to report whether the rates of stamp duty pressed hardly in the case of petty transactions of every-day life among the common people.

After examination of the replies received a Bill was prepared and introduced in October 1897 in the Legislative Council of the Governor General. The Bill is on the same lines as the present Act. The rates of duty in all but a few cases have been left as they at present stand. The intention has been to generally maintain the existing stamp law, but to render it more intelligible and in points of procedure less irksome to the mass of people whom it affects in the daily transactions of life, and at the same time to make it less capable of evasion.

The Bill has passed through Select Committee but has not yet become law.

*Evasion of duty  
on probates, etc.*

132. The proper duty on probates, certificates and letters of administration is often evaded by the under-valuation of estates of deceased persons by their executors, and the question of providing some remedy against such under-valuation has been more than once considered. Finally it was decided in 1897 to undertake legislation with this object, and a Bill has been prepared which has not yet become law.

## SECTION XV.

## EXCISE.

133. The most important reforms in Excise administration during Lord Elgin's Viceroyalty have reference to hemp drugs. Report of the Indian Hemp Drugs Commission, and orders of the Government of India thereon.

In March 1893 the Secretary of State directed the appointment of a Commission to enquire fully into the cultivation of the hemp plant in India and the manufacture and consumption of hemp drugs.

The Commission's Report was received by the Government of India in August 1894, and was fully reviewed in Financial Resolution No. 1369-Ex., dated 21st March 1895. The general conclusions arrived at by the Commission, which were accepted in the main by the Government of India, were the following:—

- (1) That the total prohibition of the cultivation of the hemp plant for narcotics, and of the manufacture, sale or use of the drugs derived from it, is neither necessary nor expedient.
- (2) That the policy to be adopted in respect of intoxicating drugs prepared from the hemp plant should be one of control and restriction, aimed at suppressing their excessive use and restraining their moderate consumption within due limits.
- (3) That the best means for the attainment of these objects are:—
  - (a) adequate taxation of the drugs, which can be best effected by the combination of a direct duty with the auction of the privilege of vend ;
  - (b) prohibition of the cultivation of the hemp plant except under license, and the centralisation of such cultivation ;
  - (c) limitation of the number of shops for the retail sale of hemp drugs ; and
  - (d) limitation of the extent of the legal possession of the drugs.
- (4) That the methods adopted to carry out these ends should be systematic, and as far as possible uniform for the whole of British India, and that their adoption by certain Native States should also be suggested.
- (5) That a Government monopoly of production and sale of hemp drugs, though theoretically unobjectionable, is undesirable for practical reasons.
- (6) That import, export and transport duties on the drugs are generally undesirable, though the levy of import duty may be necessary in regard to drugs coming from Native States which have not assimilated their system to that in force in British territory.

The Commission also made various suggestions as to the amendment of the existing system of administration and control in the several Provinces.

134. In the first place, it became necessary to amend the law relating to Excise revenue (Act XXII of 1881), which was then in force in Northern India, Burma and Coorg. Amendment of Excise laws to give effect to approved recommendations of the Commission.

A new Excise Act, XII of 1896, was accordingly passed in March 1896, which enabled the Government—

- (a) to prohibit absolutely, or except under license, the cultivation of the hemp plant and the production or preparation therefrom of hemp

drugs; to place such cultivation, where permitted, under proper supervision; to restrict and regulate the collection of the spontaneous growth of the hemp plant and the preparation of hemp drugs therefrom; and to prohibit absolutely, or otherwise than by certain specified routes and under special conditions, the import and transport of hemp drugs;

(b) to impose an adequate duty on the cultivation of the hemp plant and on the preparation, importation, exportation or transportation of intoxicating drugs produced therefrom; and

(c) to establish bonded or other warehouses for the storage of hemp drugs, so as to enable the duty thereon to be paid at the most convenient time, *viz.*, on issue from the warehouse for consumption.

The Act, which applied to Northern India, the Central Provinces, Burma, Coorg and Ajmere-Merwara, was extended in August 1896 to Baluchistan, and in April 1898 to the Civil and Military station of Bangalore. A Hemp Drugs Law on the same lines was passed for Berar in November 1897, and the amendment of the Bombay Abkari Act, 1878, has now been taken in hand. The Madras Abkari Act, 1886, had already provided that Local Government with necessary powers.

Enunciation of the general lines of future policy to be adopted with respect to hemp drugs.

135. Having thus provided the necessary legislative sanction, the Government of India, in a circular letter, dated 30th April 1896, No. 1925-S. R., enunciated the general lines of policy which Provincial Governments should bear in mind in improving the local Excise systems.

In regard to *ganja* and *charas* it was laid down—

- (1) that the cultivation of the hemp plant in British India for the production of these drugs should be restricted as much as possible, the production of *ganja* and the import of *charas* being, however, permitted under proper control and restriction;
- (2) that all *ganja* and *charas* should, on production in or import into any Province, be liable to a direct quantitative duty, such duty being realised by means of a system of bonded warehouses, where the drugs would be stored, but would remain the property of the cultivators, dealers or importers; and
- (3) that the drugs should be allowed to be freely carried, under suitable restrictions, but without payment of duty, from the place of production or import to a bonded warehouse, and from one bonded warehouse to another either within the same or in another Province, duty being realised thereon on issue from a warehouse for retail sale in the Province of consumption.

As regards *bhang*, it was considered that no attempt should be made to extirpate the spontaneous growth of the hemp plant; and that no restriction should be placed on the use of the wild plants in their green state, or on their manipulation for the manufacture of fibre. The Government of India considered that if (a) the cultivation of hemp for the production of *bhang* were prohibited or made subject to the payment of an acreage duty, (b) the collection of *bhang* from wild or self-sown plants by wholesale and retail vendors for the purpose of sale were only permitted under licenses, and (c) the transport of *bhang* so collected were carefully regulated and restricted, it would be possible to exercise adequate control over the consumption of the drug, and to subject it to a



moderate quantitative duty in addition to the tax levied in the form of fees for the privilege of vend.

136. In accordance with the above policy, the hemp drugs arrangements of each Province have been carefully considered and revised, with results which may be briefly summed up as follows.

Reforms effected or undertaken in the Provincial systems of Excise in regard to hemp drugs.

The cultivation of the hemp plant will be absolutely prohibited in Assam and Burma and in the minor Provinces of Baluchistan, Coorg, Ajmere-Merwara and Berar, while in other Provinces it will be permitted only in limited areas and subject to careful restrictions. Adequate quantitative duties will be levied on *charas* and *ganja*, and in most Provinces on *bharg*, whether the drugs are locally produced or supplied to a Province from outside, the duty being generally paid in the Province of consumption. Storage of the drugs in bond and under adequate supervision at licensed warehouses, public or private, is either already in force or is being worked up to. Lastly, the rules regulating the manufacture, import, export, transport, sale and possession of hemp drugs have been, or are being, revised in all Provinces in the direction of greater stringency and of the production of a larger amount of revenue.

These measures of control will also affect the Native States which derive their supplies from British territory. Our own reforms must be in thorough working order before we can urge similar steps on the other States.

The Hemp Drugs Commission recommended that the supply of hemp drugs to natives of India residing in Burma, which is now, though nominally prohibited, carried on illicitly, should be recognised and properly controlled. In accordance with this recommendation a scheme has been devised for licensing, under suitable restrictions, the sale of the drugs to natives of India proper residing in Burma; and in Despatch No. 352, dated 10th November 1898, the sanction of the Secretary of State has been asked for to its being carried into operation. It will involve a modification of the Excise Act (XII of 1896), which does not at present permit of any import of hemp drugs into Burma.

137. Under the Tariff Act of 1894 and Act XVI of 1863, methylated spirit imported into or produced in India, which had been rendered permanently unfit for human consumption, was taxed at the usual Tariff rate of 5 per cent *ad valorem*, instead of being subject to the higher Tariff or Excise duty on spirits, provided it was used exclusively in arts and manufactures or in chemistry. In May 1895 it was pointed out by the Bengal Government that methylated spirit was harmlessly employed for other purposes also, and the Government of India in December 1895 extended the favourable treatment above referred to to all imported spirit which had been effectively and permanently rendered unfit for human consumption. This concession has been embodied in the Tariff Act (III) of 1896. After correspondence with other Local Governments, the same orders were subsequently applied to non-potable spirit produced in India (*vide* letter to the Government of Bengal, No. 5829-S. R., dated 14th December 1895, and circular letter to Local Governments and Administrations, other than Bengal and Bombay, No. 2112-Ex., dated 15th May 1897).

Other general reforms. Concessions in regard to methylated spirit, etc.

138. In 1896 the practice under which rum supplied by the Commissariat Department to British and Native troops in India was exempt from Excise or Tariff duty came under consideration, and it was decided that it was undesirable to allow soldiers to buy spirits at a cheaper rate than their fellow countrymen in India. But in view of the length of time during which this exemption from duty had been in force, and of the reasons which had led to its grant, it was

Taxation of rum issued by the Commissariat to troops on payment.



held that the change should be effected gradually. Accordingly, under orders conveyed in Military Department letter No. 407-D., dated 23rd January 1897, to the Adjutant-General in India, a small initial duty was imposed on rum issued for soldiers with effect from the 1st April 1897. This duty will be gradually enhanced hereafter.

Taxation of beer  
supplied to troops.

139. In December 1897 the contracts for the supply of malt liquor to British troops in the Bengal and Punjab Commands and in the Quetta District, which had been entered into in 1887, and under which the liquor supplied by the contractors was exempted from Excise duty, came to an end. In renewing the contracts for another five years, provision was made for the levy of the ordinary Excise duty (one anna per gallon) on all malt liquor issued by the contractors.

Prohibition of levy  
of octroi duty on  
ingredients used in  
the distillation of  
country spirits.

140. In July 1897 orders were (at the instance of the Financial Department) issued in Home Department letters Nos. 76—80, dated 22nd July 1897, prohibiting the levy of octroi duty by Municipalities on ingredients used in the distillation of country spirits, as the levy of such duty was calculated to interfere with the Imperial Excise revenue.

Enhancement of  
the duty on country  
rum and other  
similar spirits in  
some Provinces.

141. In 1896 and 1897 the question of introducing uniformity of practice throughout India in regard to the sale of rum by sugar refiners was considered at the instance of the Secretary of State, and in a Despatch to His Lordship, No. 320, dated 11th November 1897, it was explained that complete uniformity in this respect was unattainable owing to the differences which necessarily prevail, owing to varying local circumstances, in the Provincial systems of Excise. But as a result of the discussion the duty levied in Bengal on rum and other similar spirit manufactured in India has been raised to R6 per gallon of proof strength (the tariff charge on imported spirit), a rate already attained in Madras, Bombay and Burma. This will also apply to the rum supplied from Bengal for consumption in Assam. In the Central Provinces the duty was at the same time raised from R4 to R5 per gallon.

Provincial reforms.  
Madras Presidency:  
Appointment of a  
special officer to  
superintend the  
working of  
distilleries in the  
Presidency.

142. The distilleries in the Madras Presidency being worked on highly organised European methods, it became desirable that an officer with full knowledge of the chemistry and technicalities of distillation should be available to advise on their internal arrangements and enforce necessary measures of precaution in the interests of the revenue. Accordingly in 1896 the appointment of a specialist officer from the Inland Revenue Department in England was sanctioned by the Secretary of State on the application of the Local Government and the Government of India, made in Despatch No. 233, dated 18th August 1896. This officer is now training subordinate officials of the Excise Department in distillery work.

Extension of the  
tree-tax system of  
toddy revenue to  
additional areas.

The tree-tax license fee system of toddy revenue has been gradually extended, until it now covers practically the whole of the Presidency. The toddy revenue in Madras, which in 1893-94 stood at 61.6 lakhs, amounted in 1897-98 to 71.14 lakhs.

Bengal:  
Amendment of the  
Bengal Excise  
Act, 1878.  
Introduction of  
the tree-tax system  
of toddy revenue  
in the Province.

143. In March 1898 sanction was accorded in letter No. 273-Ex., dated 18th January 1898, to the introduction in the Legislative Council of Bengal of a Bill to amend the Excise law in force in that Province (Bengal Act VII of 1878), so as to embody therein the new provisions of the Northern India Excise Act, XII of 1896, in respect to hemp drugs, to enable the adoption of the tree-tax system in respect to tãri-producing trees, and to generally improve the provisions of the existing law in respect to the prevention of offences, etc. Attempts have been made since 1891-92 to introduce into Bengal the tree-tax system of tãri (toddy) revenue which has been worked successfully in the Madras Presidency; but its

full and systematic introduction has not been found possible owing to the absence of the necessary legal provisions in the existing Excise Act. Meanwhile the scheme is being given a limited trial, so far as it is possible to do so in a few districts.

144. The attention of the Government of the North-Western Provinces and Oudh was drawn in letter No 4590, dated 28th October 1896, to the desirability of developing their Excise revenue (a) by an enhancement of the rates of still-head duty now levied in the Province on country spirits, (b) by rendering the rates more elastic than they at present are, and (c) by the entertainment of a special preventive Excise establishment. The Local Government has accepted these reforms in principle, and will proceed to work them out in detail as soon as the Province has recovered from the effects of the late famine. It also intends to take steps for closing the smaller distilleries in the Province, now worked in the primitive native fashion, and replacing them by a few large distilleries worked on more scientific principles. These measures have been generally approved by the Government of India in letter No. 4142-Ex., dated 22nd September 1898.

North-Western Provinces and Oudh :  
Proposed measures for the development of the Provincial Excise revenue.

145. In April 1897, with a view to facilitate the supply of country spirits from one district of the Punjab to another, the rates of still-head duty on such spirits were equalised throughout the Province. Later on, in letter No. 5006-Ex., dated 10th November 1897, sanction was given to the rates being further revised so as to discourage the consumption of strong spirit in the Province, and to place the duty on country spirits on an equality with that levied on spirits manufactured after the European method (Rs 4 per proof gallon). This revision was carried into effect in February 1898.

Punjab :  
Revision of the rates of still-head duty on country spirits in the Province.

146. The system of manufacture and vend of country spirits known as the "bonded warehouse system," which had been introduced in the Nimar district of the Central Provinces in 1892-93, and subsequently extended to some other tracts, resulted in failure in 1896. That system has consequently now been abandoned, and in place of it a "modified bonded warehouse system," which follows the model of the Madras contract distillery system, is being tried as an experiment in two districts under orders conveyed to the Chief Commissioner in letters Nos. 4011 and 967-S.R., dated respectively the 18th September 1896 and 27th February 1897. The new system differs from the old mainly in separating the functions of manufacture and retail vend, which the old method combined in the hands of a single contractor, and in handing over vend operations to local licensees. It has also transferred the main burden of taxation from license fees to direct duty. The rest of the Province is for the present divided between outstill areas and sadar distilleries at which duty is levied on the *mahua* used in distillation, and not, as generally, on the liquor issued.

Central Provinces :  
Changes in the systems of Excise in regard to country spirits.  
Failure of the bonded warehouse system in tracts in which it was tried.  
Trial of the "modified bonded warehouse system" in selected areas.

147. In Berar, the Bombay system of Excise revenue in respect of country spirits, which was introduced in selected tracts in 1892, as an experimental measure, has been extended to additional areas, and the Government of India have agreed to its extension to the whole Province as soon as this can be expediently effected. The results of Excise administration in Berar have, however, not as yet been very satisfactory; and in letter No. 1241-S.R., dated 16th March 1897, the Government of India drew attention to this and desired the Resident to give his personal attention to the matter.

Berar :  
Extension of the guaranteed minimum system to additional areas.

A new Excise law, based on the provisions of the Bombay Abkari Act, 1878, was enacted for Berar in November 1897, and was at once extended to the tracts in which the Bombay guaranteed minimum system is in force.

Enactment of the Berar Excise Law, 1897.

## SECTION XVI.

## POST OFFICE.

*Attitude of the Government of India towards the Postal Conventions between Great Britain and other Continental countries.*

148. In 1894 the Government of India declined to join in a Postal Convention which Her Majesty's Government proposed to conclude with Austria-Hungary. In addressing the Secretary of State on this subject in their Despatch No. 183, dated 10th July 1894, the Government of India explained that the application of the proposed Convention to India would involve the grant to steamers subsidised by the Austro-Hungarian Government of the facilities and privileges accorded to mail steamers in British Indian ports. As neither British nor British Indian mail packets call at Austrian ports, no compensating advantage could be secured to India or Her Majesty's Government; and it was considered that the grant of special privileges to the steamers of the Austrian Government would lead to embarrassment and inconvenience in the event of applications for similar concessions being made by other Governments.

No objection was, however, raised to a proposal made in the same year to conclude a similar Convention with Italy, as British mail steamers have a port-of-call in that country.

*Progress in the policy of postal unification with Native States.*

149. The policy of postal unification, which had been warmly supported by the Government of Lord Lansdowne, was actively pursued during the five years of Lord Elgin's administration. In particular an important addition to the States which have fallen into line with British India in this respect was gained when the Durbar of the Kashmir State consented to the amalgamation of its postal system with the Imperial Post Office. This measure came into force from the 1st November 1894, and was approved by the Secretary of State, to whom a report on the matter was made in the Government of India Despatch No. 353, dated 16th December 1896. It was at first estimated that the cost of management of the combined system would eventually be covered by the corresponding postal revenue, but the heavy cost of working the mail lines to Gilgit and Leh (where the Kashmir State had practically employed forced labour) has for the present caused this expectation to be disappointed, and the loss on the year's working in 1896-97 amounted to about Rs 41,000, which was more than accounted for by the two lines above mentioned. These lines are of great military and political importance, and the Government of India, in reporting on the matter to the Secretary of State in their Despatch No. 162, dated 9th June 1898, were of opinion that the necessity for maintaining them in a thoroughly efficient condition more than justified the heavy expenditure incurred on them, and in this view it was considered that the results of the amalgamation might be accepted as not unfavourable.

The entire management of posts in the Native States of Bamra and Nandgaon in the Central Provinces and of Pudukotta in the Madras Presidency was also undertaken by the Imperial Post Office in 1894-95, and in the same year the Chiefs of Navanagar and Wadhwan in the Bombay Presidency agreed to the amalgamation of their posts with the Imperial Post Office.

In the following year, in pursuance of the same policy, a number of post offices were opened in the Native States of Meywar and Merwara and in some other minor States, and in 1897 the postal system of the States of Bharatpur and Khairpur was similarly reorganized.

150. From time to time the attention of the Government of India had been drawn to the desirability of establishing a direct mail service between Karachi and Aden in connection with the steamer service between Europe and India, but it was believed that the cost would be found to be practically prohibitive, and the proposal had been put aside. The question was revived by the mercantile community of Karachi in 1894 and tenders were invited in connection with the revision of the contract with the Peninsular and Oriental Company for the conveyance of the India and China Mails. This practical test, however, only bore out what had been previously anticipated, and no company was found willing to take up the service at a moderate rate.

151. In 1895, in their Despatch No. 59 of the 27th February, the Government of India recommended to the Secretary of State the introduction of a new class of postal parcels, *viz.*, parcels not exceeding 440 tolas in weight, to be forwarded by post unregistered at the rates of 2 annas for the first 20 tolas, 4 annas for parcels weighing over 20 but not more than 40 tolas, and 4 annas for every further 40 tolas or fraction thereof; these rates being half those already in force for registered parcels of like weight. The scheme involved some slight loss of revenue, estimated at well under a lakh of rupees in the first year. It was approved by the Secretary of State and introduced from the 1st August 1895.

The value-payable system which had previously been applicable only to registered postal parcels was extended to unregistered parcels with effect from the 1st April 1898.

152. In 1894 a direct exchange of money orders with New Zealand was introduced, and money order business with Hongkong, which had been suspended in 1893 owing to fluctuations in exchange, was resumed.

An arrangement was also concluded for the direct exchange with the Seychelles Islands of money orders expressed in Indian currency in place of the less convenient sterling money order exchange through the agency of the British Post Office which had previously existed.

The Indian Post Office at Zanzibar was closed in 1895 after an existence of 20 years, and the British Protectorates of Zanzibar and British East Africa entered the Postal Union. After the withdrawal of the Indian Post Office the management of the posts of the island was taken over by the Postal Administration of British East Africa, with which a formal agreement was concluded for the continuance of the money order and parcel exchanges between India and Zanzibar. Revised agreements were also concluded, with effect from 1st January 1897, with the same Administration for the regulation of money order and parcel exchange between India and British East Africa.

A direct money order exchange was established with the Cape Colony in 1895 in place of the exchange which had previously been carried on through the agency of the British Post Office. A similar arrangement was made with British Guiana in 1896 and with the South African Republic in 1898; and the Secretary of State has recently been asked to approve the establishment of a direct money order exchange with the British Central Africa Protectorate.

153. Facilities for the exchange of foreign parcels have been largely extended. Numerous additions were made to the countries and places with which parcels can be exchanged, and in a number of cases improvements in the mode of transmission were effected. Thus a more direct route *via* Egypt was adopted for parcels for Greece, Turkey, Tunis and Tripoli, which had previously been sent through the United Kingdom. In the case of Mauritius, parcels for which place had also been previously sent through the United Kingdom, a direct

transit *via* Ceylon was introduced. Direct parcel exchanges were also established with Tasmania and the Seychelles; and arrangements have been sanctioned for the establishment of a direct parcel post service with France and Germany.

An arrangement was also made with the British Post Office, under which parcels from India transmitted through that office could be fully insured to various foreign countries and British colonies and possessions to which parcels could previously be only sent uninsured.

The conveniences of the direct parcel exchange with Ceylon, which already included those of the value-payable post, were further supplemented by the extension to that colony of the parcel insurance system; and arrangements were also made for exchanging fully insured parcels direct with the Straits Settlements, Hongkong, Egypt, and France.

Revised arrangements were also concluded, with effect from the 1st January 1898, for the exchange of postal parcels between India and the colonies of New South Wales, Victoria, Tasmania, South Australia, and Queensland; and the Secretary of State has been asked to sanction a similar arrangement in the case of Western Australia.

*Postage for letters of soldiers and seamen in Her Majesty's Service.*

154. Under the provisions of section 53, 3 & 4 Vict., C. 96, soldiers and seamen in Her Majesty's service in India have the privilege of sending letters not exceeding  $\frac{1}{2}$  oz. in weight to any part of the British Dominions at a postage of one penny for each letter. The Indian equivalent of this rate had previously been fixed at nine pies, but was raised in 1895 to one anna in consequence of the fall in the exchange value of the rupee.

*Complaint against the rates of passage money charged by the Peninsular and Oriental Company for the voyage between Europe and India.*

155. In 1896 a large body of official and non-official gentlemen addressed a memorial to the Government of India complaining of the high rates of passage money charged by the Peninsular and Oriental Steam Navigation Company for the voyage between Europe and India, and suggesting that the Government, in framing future mail contracts, should require the contracting Company to accept rates of passage money not exceeding fixed maxima to be prescribed by Government.

The memorialists were informed, in the Government of India's letter No. 4075, dated 23rd September 1896, that the questions raised by them were matters for private arrangement between the shipping Companies on the one side and the passengers on the other, and that the Government were merely concerned with the public services to be performed in connection with the carriage of mails and any reservations required in the direct interests of the service of the State, and could not intervene in the matters referred to in the memorial. The memorial was, however, laid before the Secretary of State in connection with the revision of the ocean mail contracts.

*Proposed change of route for the carriage of Burma mails, etc.*

156. In 1896 the Madras Government, at the instance of the Madras Chamber of Commerce, urged on the Government of India the adoption of the Bombay-Madras route for the carriage of the Burma mails in place of that *via* Calcutta. The proposal was not, however, accepted, as it was found after careful examination that the Calcutta route offered distinct advantages both in the case of the incoming and outgoing Burma mails, and was preferred by both the Burma Government and the mercantile community of Rangoon. Recently also the question of expediting the delivery of the inward foreign mails at Madras by the use of weekly special trains was very carefully considered, but it was shown that the cost would be excessive as compared with the advantages the arrangements would confer on the Madras public.

157. A conference of railway and postal officials was held at Nagpur in February 1897 to discuss proposals for the improvement of the mail train service between Calcutta and Bombay. Arrangements were agreed on, and subsequently accepted by the Government for the acceleration of the daily mail service *Improved mail service between Bombay and Northern India.* *via* Jubbulpore by over 11 hours and for the establishment of a second daily service in the Bengal-Nagpur Railway.

Arrangements were also made for the conveyance by special trains of the inward foreign mails between Bombay and Calcutta, the Punjab, and Simla.

158. In 1895 and 1896 the question of a new contract for the conveyance of the Indian mails came under consideration in view of the approaching expiry (in January 1898) of the contract concluded with the Peninsular and Oriental Steam Navigation Company in 1887. After a very full consideration of the public requirements and the terms offered, the Government of India in their Despatch No. 282, dated 30th September 1896, recommended to the Secretary of State the acceptance of the tender of the Peninsular and Oriental Steam Navigation Company, and eventually a new contract was concluded with that Company for a term of 7 years from the 1st February 1898. Under this contract, the annual subsidy payable to the Company for the conveyance of the Eastern and Australian mails has been fixed at £330,000 for the combined services as against £265,000 under the previous contract. The latter figure, however, does not include the amount payable for the conveyance of the Australian mails, as this service had previously been dealt with in a separate contract. The Indian share of the consolidated subsidy payable under the new contract has not yet been determined. The Company has undertaken to cover the distance between Brindisi and Bombay in 302 hours, giving a through transit from London of 352 hours; and provision has been made for sorting of postal articles from Port Said, should the development of the service render such a course necessary, and also for a uniform departure from Bombay throughout the year. *New contract with the Peninsular and Oriental Company for the conveyance of Indian Mails.*

159. The last Postal Union Congress was held at Washington in May 1897, Mr. Kisch, Postmaster General, Bengal, being deputed to represent India. The convention settled by the Congress was ratified by the Secretary of State, on behalf of the Government of India, and will come into operation from 1st January 1899. India, like Great Britain, was up to the time of the last Congress a party only to the Principal Convention of the Union relating to letters, post-cards, printed articles, business papers and samples, and for all other foreign postal business such as that connected with parcels, money orders, etc., it had been necessary to execute separate conventions or agreements with the countries concerned. As a result of the conference, India has now agreed to join the Parcel Post Convention, which, like the Principal Convention, will come into force on the 1st January 1899. *Postal Union Congress at Washington in 1897.*

160. The Indian Post Office Act, XIV of 1866, was found insufficient for the needs of the Department. During the 30 years succeeding the passing of the Act, defects and omissions had been brought to light, and experience had shown that the express provisions of law as contained in the Act were not in all respects suited to the postal requirements of the present day. Greater protection was required by the Post Office and additional powers to enable its officers to deal with articles posted in contravention of the law. It was found desirable, moreover, to base on a legislative enactment a number of schemes such as postal insurance and the value-payable and money order systems which had been introduced in recent years, and had thus remained outside the provisions of the law. *New Post Office Act.*



Again with the development of the postal system and in view of the course of English postal legislation, the necessity for new penalties had become apparent. A Bill was therefore introduced in the Council of the Governor General in November 1897 to repeal the Act of 1866. The Bill became law from 1st July 1898, and the necessary rules and orders under its enabling sections were published with effect from the same date.

*Alteration in rates  
for newspapers.*

161. Under orders of 1881, newspaper proprietors were allowed to compound with the Post Office, by a cash payment in advance, for the postage payable on the number of copies of their newspaper to be posted during a given period, the rate prescribed being half an anna per ten tolas except in the case of very light newspapers not exceeding 3 tolas in weight, for which a specially low rate of one-quarter anna was fixed. It had been found, after a very full trial, that this system involved loss of revenue and also entailed much unnecessary labour on the Post Office. The Government of India accordingly decided to withdraw the special arrangements for prepayment in cash from 1st October 1898 and to require prepayment in stamps in all cases. The privilege of specially low rates for light newspapers was at the same time extended, the weight to be carried for one-quarter anna being raised from 3 to 4 tolas. Measures were however taken by a system of registration of newspapers to limit the privilege to *bond fide* newspapers and exclude from its scope such publications as trade circulars which had come within the terms of the concession as worded in the orders previously in force. The purpose and extent of these modifications were explained to the public in the Government of India's Resolution No. 3258-S.R., dated the 25th July 1898, which was published in the Gazette along with the Notification No. 3256-S.R., dated 25th July 1898, which gave effect to them.

*Reduction of letter  
postage rates.*

162. The question of the reduction of foreign letter postage rates was raised in 1897 by Her Majesty's Postmaster General, who proposed the formation of a restricted union between the United Kingdom and all British Dependencies with a view to reduce, in the case of such Dependencies, the foreign letter postage charged in the United Kingdom from  $2\frac{1}{2}d.$  to  $2d.$  the half ounce. The Government of India were consulted and gave a qualified approval in their Despatch No. 348, dated the 16th December 1897.

The proposal, however, was not further considered, as the general question of reducing foreign letter postage rates was meanwhile referred to a Postal Conference which assembled in London in 1898. At this Conference the Government of India were again represented by Mr. H. M. Kisch, Postmaster General, Bengal. Its proceedings resulted in a declaration by Her Majesty's Postmaster General that the British Post Office would be prepared to join with any Colonies and Dependencies of the United Kingdom which might desire to have a rate for foreign letter postage of  $1d.$  per half ounce in place of the rate of  $2\frac{1}{2}d.$  The Government of India were then asked if, with due regard to Indian interests and to the financial considerations involved, they could agree to the inclusion of India in the list of countries accepting the proposed change either from the beginning or from the 1st of April 1899.

The Government of India, in their Despatch No. 274, dated 1st September 1898, expressed their willingness to accept the proposed change from the date from which it might first come into force and to reduce the rate for letters sent from India to reciprocating countries from  $2\frac{1}{2}$  annas to 1 anna per half ounce. While accepting this proposal, in spite of the sacrifice of revenue involved, as a measure of general Imperial policy, the Government of India pointed out that the direct benefit which it would confer on India would be small and would be

limited to a single class, and that the natives of India generally would derive no advantage unless a corresponding concession were made on their behalf by a reduction of the inland postage rates. It was proposed, therefore, as regards inland postage, to carry  $1\frac{1}{2}$  tolas per anna instead of 1 tola per anna, the special rate of half an anna for a weight not exceeding half a tola being left unaltered. This was agreed to by the Secretary of State, and the revised scale came into force from 1st October 1898. The change in the foreign rates, for which this measure prepared the way, was introduced on 25th December 1898.

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## SECTION XVII.

## STORES.

*Purchase in India  
of manufactured  
articles of iron  
and steel.*

163. In 1883 the Government of India issued rules laying down that all articles required for the Public Service which could not be manufactured in India were, as an almost invariable rule, to be obtained on indent through the Secretary of State. These rules precluded the purchase in India of manufactured articles of iron and steel imported from Europe required to be used in constructing bridges and other finished engineering structures, and in consequence of representations made by the leading manufacturers and iron founders in India, they were modified tentatively in 1891, and a few selected local firms were allowed, subject to certain conditions, to tender for specified articles of iron and steel, made up in India. The concession was however limited to articles the certain want of which could not be anticipated and delay in the supply of which involved loss. This condition was strongly objected to by the manufacturers affected, and in 1895 certain well-established firms of manufacturing engineers and iron founders domiciled in India addressed representations to the Secretary of State on the subject. After careful consideration the Government of India, with the approval of the Secretary of State, dispensed in Financial Resolution No. 2587-S. R., dated 9th June 1898, with the condition complained of, and considerably extended the list of articles of iron and steel manufactured in India which may be procured locally.

*Supply of stores  
for Port Trusts  
and similar local  
bodies through the  
agency of the  
Stores Department,  
India Office.*

164. In 1894 the Secretary of State drew attention to the heavy expenditure incurred in the supply of stores from England for the Port Commissioners, Calcutta, and the Government of India were asked to consider the question whether arrangements could not be made under which Port Trusts and similar local bodies could obtain their stores through the agency of the Stores Department of the India Office. It was anticipated that such an arrangement would conduce to economy. The question had been previously discussed in 1887, and the Government of India, after giving the matter further consideration, saw no reason to alter the decision arrived at in that year that Government could not impose upon local bodies any restrictions as to their manner of procuring European stores without assuming a responsibility which it is desirable to avoid, or without an amount of interference which might prevent Government obtaining for such bodies the services of non-official gentlemen of standing. *Vide* Financial Despatch to Secretary of State, dated 19th September 1894, No. 235. The question was again raised in 1897 in connection with the stores required from England by the Calcutta Port Trust; but the Government of India adhered to the conclusions arrived at in 1887 and 1894.

*Comparison of  
English and  
Indian paper as  
regards quality  
and price.*

165. With a view to enable Government to make a comparison of English and Indian paper, both in regard to quality and price, the Director General of Stores at the India Office proposed in 1896 that one-tenth of the annual requirements of paper in the Bengal Presidency should be obtained from England. The Government of India considered that the proposal was opposed to the policy which had been steadily followed in India since 1883, of offering all proper encouragement to every effort to substitute for articles obtained from Europe articles of local manufacture, when the latter are not inferior in quality or higher in price, and after correspondence with the Secretary of State on the subject, the Government of India were left to decide whether the interests of

economy would be best served by the purchase locally of such papers as the Indian Mills can make cheaply and well. After consideration the original proposal of the Director General of Stores was abandoned, it being decided that a comparison of similar kinds of Indian and English papers should be obtained by submitting periodical indents on the India Office for not less than ten tons of any one description of paper.

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## SECTION XVIII.

## STATISTICS AND COMMERCE.

*Merchant  
Shipping  
Bill.*

166. A Bill to consolidate and amend the Indian Merchant Shipping laws was introduced in the Legislative Council in 1892 with a view to remove the great difficulty experienced by those who have to administer and observe the present law, but its progress was interfered with by the passing of the English Merchant Shipping Act of 1894. It has been held by the Home Government that as the English Act is a complete code of Merchant Shipping, so far as British ships are concerned, and applies in many cases to British ships throughout Her Majesty's dominions, the Indian legislature has no power to legislate in regard to matters already provided for by the Imperial Act, save in the special cases in which such power has been reserved to it by that Act or by some other enactment, while in regard to matters only partially provided for by the Imperial Act, it should be careful to limit its action expressly to matters not so provided for. It will thus be necessary to re-cast the whole Bill, and until such time as this can be done, it is intended to enact separately such parts as are urgently required. Parts II and VII of the Bill, which deal, respectively, with the measurement and registration of ships and with native passenger ships, have accordingly been removed and prepared as separate Bills.

*Rules under the  
Deck and Load  
Lines Act, 1891.*

167. Rules under the Deck and Load Lines Act, XVII of 1891, were originally issued in 1892, but as it had been represented that difficulties had arisen in working them, their operation was shortly after suspended. A re-draft of the rules was then prepared and circulated to the Maritime Governments in August 1894, with the request that the draft rules might be published locally and the opinions of the Chambers of Commerce and owners or agents of vessels invited on them. Copies of the draft rules were also forwarded to the Secretary of State for publication in the "Board of Trade Journal," and he was asked to move the Board to issue an order recognising them. The opinions and criticisms thus invited were then carefully considered, and the rules, after modification in accordance with such of the suggestions as seemed suitable, were finally revised and re-issued in July 1896. Since then further modifications in the rules have been suggested, and the matter is now under consideration.

*Measures for the  
protection of  
Indian seamen  
from liability to  
serve in  
inclement  
climates, etc.*

168. The first clause of the form of agreement signed by Indian seamen engaging for voyages to foreign countries was amended in 1894 and again in 1896 with a view to protect Native seamen from liability to serve in very inclement weather and to provide for their transfer from a vessel belonging to one Company to that of another. By the amended clause the geographical limits within which such seamen might be employed were altered from 70 degrees north and 70 degrees south latitude to 60 degrees north and 50 degrees south latitude. The clause also provides that Native seamen shall not be bound to serve on voyages to any port in the Baltic or on the East Coast of America north of 38 degrees north latitude during the winter months (October to March), and that, save under special agreements voluntarily undertaken, they shall not be bound to serve on a voyage round Cape Horn.

*Passing of an  
Act to secure the  
protection of  
officers and crews  
of vessels visiting  
Indian ports from  
the heat of the  
sun.*

169. Prior to 1894, the want of suitable arrangements for the ventilation and protection from the heat of the sun of the fore-castle and officers' quarters in certain vessels visiting Indian ports had, from time to time, been brought to the notice of Government. The Board of Trade, who had been referred to on the subject through the Secretary of State, expressed their readiness to alter their

regulations so as to remedy these defects; but they pointed out that, without legislation, of which there seemed no immediate prospect, such alterations could not be given retrospective effect, and would be confined in their application to vessels inspected by their surveyors on initial registration or re-registration under section 9, sub-sections (4) and (7), of the Merchant Shipping Act of 1867. It was accordingly suggested that, pending legislation in England, the Indian Ports Act, 1889 (X of 1889), should be amended so as to provide for the framing of rules for the protection from heat of officers and crews of vessels while in Indian ports. Act IV of 1896 was passed to attain this end.

170. In 1893 the Bishop of Rangoon forwarded to the Chief Commissioner of Burma a memorial from a number of shipmasters of vessels lying in the port at the time on the subject of restricting Sunday labour in the port of Rangoon. It was urged that there was an amount of unnecessary work done amongst the shipping in the Rangoon harbour on Sundays, and that there were no special regulations restricting the working of cargoes and sailing of vessels from that port on Sunday such as existed in other places. The Chief Commissioner agreed that there was not sufficient protection to masters of ships or men against unnecessary labour on Sundays, and held that section 72 of the Sea Customs Act, VIII of 1878, was designed to cast on the Collector of Customs the responsibility of deciding whether Sunday work should be allowed or not. He decided that the Collectors of Customs in Burma ports might under that section grant permission to land or ship goods on Sundays in the case of (1) Government vessels and transports hired by Government, (2) Mail steamers, and (3) vessels working explosives, live-stock, ships' stores, bunker coal or ballast for stiffening; but that in other cases a fee equal in each case to  $6\frac{1}{4}$  annas on the net registered tonnage of the vessel, subject to a minimum of R50 and a maximum of R200, should be charged on permission granted for Sunday labour, which permission should, moreover, be given only in circumstances of declared urgency. The fees thus realised were to be divided half-yearly between the Sailors' Home, the General Hospital and certain other institutions in which seamen are interested. After consulting other Maritime Governments on the subject, the orders passed by the Chief Commissioner of Burma were confirmed by the Government of India in April 1895.

*Restriction of Sunday labour in the shipping in the ports of Burma.*

171. In January 1895 a Bill was introduced in the Legislative Council to provide for the registration of certain boats in Lower Burma, it having been urged by the Rangoon Chamber of Commerce and the Rice-millers of that port that such a measure was necessary in the interests of trade and of the Burmese boatmen as well as of the rice merchants, owing to the peculiar conditions under which the paddy trade in Lower Burma is carried on. But there was a difference of opinion as to the necessity for the measure; Sir A. Mackenzie, who was then the Chief Commissioner of Burma, considered that compulsory registration was not in the interests of the rice trade, and would give rise to a vast amount of discontent, while the Rangoon Chamber of Commerce and the Select Committee to whom the Bill was referred were in favour of compulsory registration. It was decided in February 1896 not to proceed further with the Bill.

*Bill for the registration of boats in Lower Burma.*

172. In the summary of the principal measures of the Viceroyalty of Lord Lansdowne it was stated that the question of lighting the Red Sea had been under discussion for a long series of years, but that, owing to political as well as financial reasons, it was not found practicable to effect any substantial improvement in the lighting of this ocean highway. The question was raised again

*Lighting of the Red Sea.*

in 1897. The Chambers of Commerce at Calcutta, Madras, Bombay, Karachi and Rangoon, and the Underwriters' Association at Bombay represented the urgent necessity for additional lighthouses in the lower portion of the Red Sea, and the Government of India referred the matter to the Secretary of State, but no very satisfactory decision has yet been arrived at. The last report received by the Government of India on the subject was in November 1897, when they were informed that the construction of lighthouses had been abandoned and that Lord Cromer had been instructed to endeavour to obtain the sanction of the powers to the location of lightships outside the 3-mile limit. The outcome of these negotiations is now awaited.

*Measures for the protection of inland steam-vessels from collisions.*

173. In 1897 the Government of Bengal brought to notice the necessity for the protection of inland steam-vessels from collisions by the issue of a regulation similar to that prescribed for preventing collisions at sea, which enjoins the compulsory use of sound signals. It was then found that the Inland Steam-vessels Act, 1884 (VI of 1884), did not confer upon Government the power to make such rules, and that the Act would have to be amended for this purpose. A short Bill was accordingly prepared and introduced in the Council of the Governor General on the 8th July 1898, which provides for the making of rules to regulate, among other matters—

- (a) the making of sound signals ;
- (b) the carriage of lights and the exhibition of the same by night ;
- (c) the steering rules to be observed ; and
- (d) the towing of vessels astern or alongside.

In the criticisms of Local Governments certain additions to the Bill have been proposed and these are now under consideration.

*Treaties of Commerce with certain foreign countries.*

174. Copies of Treaties of Commerce concluded between Great Britain and certain other countries were from time to time forwarded by the Secretary of State, with the enquiry whether the Government of India would participate in, or agree to, them ; and the action taken thereon was as follows :—

The Government of India agreed to the Treaty of Commerce between Great Britain and Servia, concluded on the 10th July 1893, being made applicable to India.

It was considered inexpedient to bind India by the stipulations of the Convention with Roumania, of 1st April 1893, respecting false indications of origin on goods.

Similarly, the Government of India did not agree to the application to India of the Treaty of Commerce with Japan, signed on the 16th July 1894, or the commercial agreement with Bulgaria of July 1897. But it was subsequently decided that, subject to certain reservations made on political grounds, India might be advantageously included in all commercial treaties, and in view of the increasing commercial importance of the trade with Japan, the Secretary of State was informed in Foreign Department No. 182, dated the 13th October 1898, that, subject to the abovementioned reservation, it was considered desirable to obtain the inclusion of India in the treaty with Japan if that were still possible.

No objection was made to the application to India of the Trade Mark Convention between Great Britain and Costa Rica, signed on the 27th August 1897, although it was thought to be of no use to India.

*Enactment in the Japanese Diet of a law for the grant of bounties to*

175. In June 1897 a representation was received from the Bombay Chamber of Commerce on the subject of the enactment in the Japanese Diet of a law for the grant of bounties to Japanese exporters of raw silk from Japan to foreign

countries. It was forwarded to the Secretary of State in August 1897, with the remark that, if this law should receive the Imperial assent, it must injuriously affect Indian as well as British merchants engaged in trade with Japan, and that it appeared desirable that such steps as Her Majesty's Government considered proper should be taken to protect their interests. The Government of India were informed in reply that Her Majesty's Government had no grounds, at that time, for objecting to the proposed law, but that Her Majesty's Minister at Tokio had pointed out to the Japanese Government that the proposed law conflicted with the Treaty of July 1894, which would come into force in about two years' time.

176. In June 1897 the Secretary of State forwarded a full and clear report by Mr. Consul Brenan on the state of trade at the Treaty ports of China, and requested to be furnished with any remarks which the Government of India might have to make on the various matters touched on by that officer, and particularly as regards his suggestion that a special officer should be added to the staff of Her Majesty's Minister in China to study questions affecting trade. In Despatch No. 268 (Financial), dated 23rd September 1897, the Secretary of State was informed that such an appointment, though it might be of service in furthering British trade, would not justify expenditure from Indian revenues.

## SECTION XIX.

## MISCELLANEOUS.

*Leave and  
Pension Rules  
of the Special  
Departments.*

\* Accounts.  
Archæological.  
Botanical.  
Civil Veterinary.  
Customs.  
Economic Products.  
Education.  
Forest.  
Geological Survey.  
Imperial Survey.  
Indian Museum.

Jails.  
Meteorological.  
Mint (Assay).  
Opium.  
Pilot.  
Police.  
Postal.  
Public Works.  
Registration.  
Salt.  
Telegraph.

177. The question of improving the leave and pension rules applicable to the branches of the public service termed the Special\* Departments, which was taken up by Lord Lansdowne's Government, was finally settled in the years 1895-96.

178. On the question of leave rules, the Secretary of State had held that in all branches of the service divided into a higher or Imperial, and a lower or Provincial, service, the class of rules which should be admissible to an officer must primarily be determined by the nature of his original appointment; but that if he originally entered the Provincial service and was subsequently appointed to a post usually held by an officer of the Imperial service, he should be allowed thereafter the benefit of the European Service Leave Rules. In those Departments in which no distinct line could be drawn between Imperial and Provincial services, a list was to be prepared of the appointments and of the individuals to whom it was desirable in each Department to grant the better leave rules.

179. As regards pensions, the order of the Secretary of State was that the officers already in service should retain their existing privileges, but that for officers entering it hereafter the maximum pension should, in ordinary circumstances, be Rs. 5,000 a year. It was, however, conceded that in all the larger Departments and in any of the smaller Departments which might be held to be eligible, the Government of India might grant an extra pension of Rs. 1,000 a year to any officer who might have rendered not less than three years' approved service as the Head of a Department in any Province, and whose special merits might be considered to be deserving of the concession. Subject to the above condition, the scale of pensions applicable to the Public Works and Telegraph Departments under Article 712 of the Civil Service Regulations was extended to officers appointed from England to the Forest and Geological Survey Departments.

180. In their Despatch No. 9, dated 9th January 1895, the Government of India explained the way in which they proposed to give effect to the orders of the Secretary of State. In the Departments connected with General Administration (Executive and Judicial) and in the Education, Forest, Survey, Public Works and Telegraph Departments, a complete division between Imperial and Provincial services was effected. In the majority of the Special Departments it was found neither desirable nor feasible to draw a distinct line between Imperial and Provincial services, and selection was therefore made of certain appointments, and in a few cases, of individuals, to whom it was considered desirable to grant the more favourable leave rules.

181. With reference to the question of pension, the Forest and Geological Survey Departments were declared eligible for the higher scale of pensions admissible to the Public Works Department and Telegraph officers under Article 712 of the Civil Service Regulations; the special additional pensions admissible to officers of the Public Works and Telegraph Departments under Article 714 of the Civil Service Regulations were abolished in the case of

officers entering the service in the future; and a list of the Heads of Departments and of certain selected officers holding high and important offices, to whom it was proposed to grant the special additional pension of R1,000 a year, was approved by the Secretary of State.

182. The arrangements thus outlined involved much correspondence and minute examination of the circumstances of each Department before they could be fully elaborated and finally approved. They were eventually announced in the

No. 2958-P., dated 22nd June 1895.  
 No. 2959-P., " 22nd " "  
 No. 2507-P., " 10th " 1896.  
 No. 3597-P., " 21st August 1896.

series of Resolutions marginally noted.

183. In 1884 a Provident Fund was sanctioned for officers of the Public Works Department, and later on in the same year its benefits were extended to certain officers of the Telegraph Department. Numerous memorials were thereupon received from officers of the Imperial Forest Service asking for a similar concession, and the request was supported by the Government of India. The decision, however, was deferred, under the orders of the Secretary of State, pending the consideration of the report of the Public Service Commission. Eventually in 1896 the Government of India, with the approval of the Secretary of State, sanctioned the institution of a Provident Fund for all officers of the Imperial and the Provincial branches of the Forest Department; and later on in the year officers on the graded list of the Geological Survey Department were also brought under the rules of this Fund. These rules follow generally those of the similar institution for officers of the Public Works Department, the principal condition being that officers are obliged to contribute a monthly subscription of not less than 5 per cent and not more than 10 per cent of their salaries. Compound interest at 4 per cent per annum is granted by the Government on the deposits, and the amount which thus accumulates at the credit of each officer can only be finally withdrawn on his death or retirement; but temporary advances may be given from the amount at credit to provide for the passage of the officer or a member of his family proceeding to or from England in circumstances of urgency.

184. In 1895 it was brought to the notice of the Government of India that instances were not infrequent in which European Police officers had died in the service of Government without having made any provision for their families, and enquiry showed that there were many officers in the service who had made no such provision in the event of their death. The Government of India accordingly addressed the Secretary of State in their Despatch No. 142, dated 1st June 1897, and obtained his sanction to a proposal to establish a Provident Fund for the superior officers of the Police Department throughout India on lines similar to those of the Forest Department Fund. The rules of this new Fund have not yet, however, been finally settled.

The question of the establishment of a similar Fund for the enrolled officers of the Financial Department is also being considered.

185. With a view to foster provident habits among the native employés of Government, the Secretary of State, on the recommendation of the Government of India, sanctioned in 1883, a scheme of State Life Insurance and Monthly Allowances to be worked by the agency of the Post Office. As reliable statistics of native life were not available at that time, the scheme, which came into force on 1st February 1884, was at first of an experimental nature, and its benefits were accordingly extended to postal employés only. Subsequently in 1888 the scheme was extended to officers of the Telegraph Department.

*Establishment of  
Provident Funds.*

*Postal Life  
Insurance and  
Monthly  
Allowances  
Scheme.*



In 1895, when the measure had been in operation for eleven years, and it was found that it had worked well and that the financial position of the Fund was sound and improving, the Government of India, in their Despatch No. 253, dated 3rd September 1895, represented to the Secretary of State that the time had arrived for extending the scheme to the Civil officers of Government generally. Opportunity was at the same time taken to recommend the addition to the existing benefits of the Fund of a system of Endowment Assurance, by which a lump sum is payable at a specified future date, or at death if it occurs before that date. These proposals were sanctioned by the Secretary of State, and were given effect to from 1st February 1898.

Subscription to this Fund is purely voluntary.

*Transfer of  
Presidency  
Savings Bank to  
the Post Office.*

186. In 1886 District Savings Banks at Government Treasuries were closed and the work transferred to the Post Office Savings Banks. But the Government Savings Banks managed by the Presidency Banks in Calcutta, Madras and Bombay, had been allowed to remain, and were working side by side with the similar institutions under the management of the Post Office. This dual arrangement involved considerable additional expense and was not in any way required, and this branch of Government business was accordingly withdrawn from the Banks from 1st October 1896.

*Renewal of  
agreements with the  
Presidency Banks  
for the conduct of  
Government  
business.*

187. Agreements for the conduct of Government business at their head offices had last been executed with the Banks of Bengal, Madras and Bombay in 1886 and 1887. At any time after the end of ten years they were terminable by notice on either side. At the beginning of 1896 the Directors of the Bank of Bengal expressed a wish to enter upon a new agreement with the Government for a definite term of years, and this desire was found to be shared by the Directors of the Banks of Madras and Bombay. It was therefore arranged that the various agreements relating to the conduct of Government business both at the head offices and at the branches of the Banks should be terminated with a view to the framing of a single consolidated and revised agreement for each Bank for another term of ten years.

Drafts of new agreements were accordingly laid before the Secretary of State in the Government of India's Despatch No. 249, dated 11th August 1898, and received his approval. In framing them the opportunity was taken to introduce a number of changes which experience had shown to be necessary. In particular the responsibility of the Banks to the Government has been more closely defined, the method of calculating their remuneration has been somewhat altered (though the amount payable remains substantially the same), and arrangements have been made for opening "currency chests" at the various branch offices of the Banks (except of the Bank of Bombay) when this may be found necessary.

The new agreements came into force from the 1st November 1898.

*Reduction of  
interest on the  
balances of funds  
held in deposit  
by Government.*

188. The flotation of a  $3\frac{1}{2}$  per cent loan in 1893-94 having shown that the Government could borrow money in India at a lower rate than 4 per cent, the question of reducing the rate of interest on other interest-bearing obligations of Government was taken into consideration, with the result that the rate on deposits in the Post Office and Presidency Savings Banks was reduced, with effect from 1st April 1894, from  $3\frac{3}{4}$  to  $3\frac{1}{2}$  per cent per annum. It was decided that the latter rate should also be applied in the case of other funds of a voluntary nature held by the Government at call and previously drawing  $3\frac{3}{4}$  per cent, the chief being the General Family Pension Fund, the Hindu Family Annuity Fund, Guaranteed Railway Funds. In the case of the

Uncovenanted Service Family Pension Funds, the rate on the portion of the balances which carry interest at the market rate only was reduced from 4 to  $3\frac{1}{2}$  per cent. On the great bulk of the balances, however, the Government have long paid a privileged rate of 6 per cent, the question of reducing which is now under examination.

189. The Post Office Savings Bank Rules had last been issued as a whole in April 1888, and since that time had required frequent amendments; they were accordingly entirely revised and re-issued in 1895.

*Revised rules for the guidance of depositors in the Post Office Savings Bank.*

190. In 1896 the Income Tax Act was extended to Upper Burma, with the exception of the Shan States. In 1898 the provisions of the Act were brought into operation in those States also.

*Extension of the Income Tax Act to Upper Burma and the Shan States.*

191. With effect from April 1st, 1898, the appointment of Comptroller, Burma, was made an Accountant Generalship (Secretary of State's Despatch No. 171, dated the 14th October 1897).

*Civil Accounts Department.*

In 1897 it was proposed in Despatch No. 324, dated 4th November 1896, and decided in Secretary of State's Despatch No. 104, dated 17th June 1897, to recruit the ordinary European officers of the Superior Branch of the Financial Department (the Enrolled List) by a system of selection by the Secretary of State in England. Under the system previously in force these officers were selected in India by a competitive examination of candidates nominated by the Governor General in Council, and natives of India, pure and "statutory," (to the extent of two in every nine vacancies) are still appointed under this system. The promotion of deserving subordinates to an extent not exceeding one-third of the total number of vacancies is also permitted.







